

BUSINESS WEEK

JAN 16 1940



Russia and China talk in Sinkiang — and American business listens.

ESS
TOR

THE NEW INDUSTRIAL DICTIONARY

(Fifth Revised Edition)

char'ac-ter—base or supporting foundation of a machine tool. If missing, causes high maintenance, excessive scrap loss.

com-pet'i-tor—magician with magic hat out of which he pulls lower price or better product. Antidote: modernize with new turret lathes to reduce your cost and so improve your competitive position.

de-liv'eries—future date on which positive savings begin. (Word subject to loose use, especially in times like these. Be sure anyone using it knows importance of exact definition.)

de-sign'—(must not be confused with "gadgets"). Design is quality built into a machine, assuring ease for operator, slower obsolescence for machine, larger and more accurate output.

mod'ern-ize—act of preparing self to stay in business. Method: replacing older equipment with new, which results in lower cost per finished piece.

pro-duc'tion—that from which wages, salaries, taxes, dividends are paid. Can be increased by new, more powerful turret lathes.

prof'it—rare fruit which when ripe is called Dividend. Very popular. Will wither and die unless the slug, Waste, is conquered. Can be nurtured by modern equipment.

scrap-loss—type of rodent which devours profits. Often undetected until great damage done. Cure: modern turret lathes with improved precision.

tur'ret lathe—machine tool which (when modern) manufactures profit by machining metal better, faster, for less.

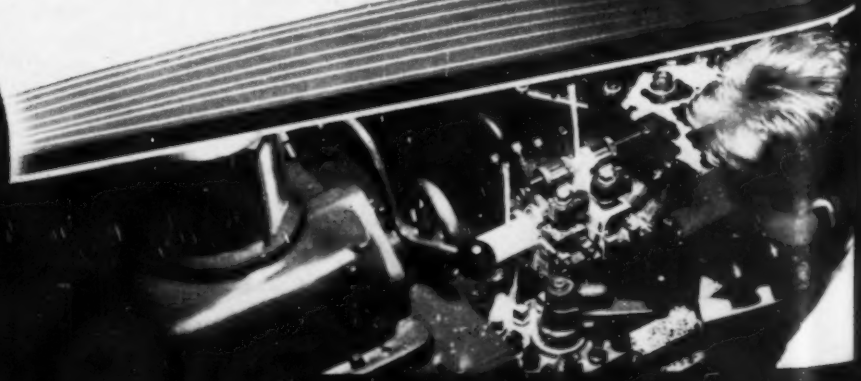
work'man—(synonym: partner)—someone who deserves new machines easy to operate, which let him display his skill, and earn more for himself and you, too, by being worth more.

• In these fast-moving times, old words take on new meanings. It will pay every manufacturer to learn the new definitions. Perhaps our experience with many plants can interpret these new meanings to your profit in your plant.

YOU CAN TURN IT BETTER, FASTER, FOR LESS... WITH

**WARNER
&
SWASEY**

Turret Lathes
Cleveland



Busine

SECRE

You can
vantage
study
spare
easy to
learn in
terms.
bookle
in Sten

Te

To the Analytical Executive: Have You Checked These Advantages

- ✓ **Most Up-To-Date Stenographic System**—fastest in taking, easiest in reading, most rapid in transcribing.
- ✓ **Transcribing of Your Dictation While You Are Still Dictating**—made possible by interchangeability of notes.
- ✓ **Reporting of Conferentes**—your Stenotype Secretary can take your conferences and meetings.
- ✓ **Machine-Printed Stenographic Notes** in plain English letters—can be read any time by any Stenotypist.
- ✓ **Accuracy**—Stenotype notes, being machine-made, never vary, no matter how fast they are written.

Which all add up to a **SAVING** of

1. your executive time, 3. your Company's time, and
2. your secretary's time, 4. your Company's money!

ONE PLUS ADVANTAGE

Stenotypy Is Easier
for Your Secretary—
saves her time and
effort...relieves her
of strain...leaves
her fresh and able
to serve you better.

Because the Stenotype is MODERN, and because a Stenotypist-Secretary can turn out more work per pay-roll dollar, STENO-TYPY is the 1940 favorite of analytical executives.

Your local business college or the Stenotype Company will gladly tell you where you can get competent Stenotypists or train your present staff. Ask for a FREE demonstration of what Stenotypy can do with and for your dictation.

SECRETARIES, STENOGRAPHERS, TYPISTS

You can soon offer these advantages to your employer by studying Stenotypy in your spare time. It is easy to learn, easy to read, and you can learn it at low cost and on easy terms. Write TODAY for FREE booklet, "Advantages to YOU in Stenotypy."

The Stenotype Company

4101 S. Michigan Avenue, Chicago

A complimentary copy of this executive booklet — "Stenotypy in Your Office"—will be sent to you promptly upon request.

STENO-TYPY
IN YOUR
OFFICE

Tested and Approved by Thousands of Executives

UNDER-COVER QUALITY



Provides the Long Life and Operating Economies of Belting and Hose.

● In the same way that crude rubber needs various compounding and reinforcement materials to be at all serviceable—the finest Mechanical Rubber Products have advanced engineering features for the best serviceability... their different elements are combined according to the most improved methods. This is the under-cover quality.

You have only to examine the inner structure of Republic Belting or Hose to detect the advancement in built-in quality—you will find

such refinements as duck construction for belting designed to eliminate internal chafing... strong and resilient cord carcass in pneumatic hose for resistance to unusual shock and abuse... tenacious rubber compounds for wear and tear. The next time your plant requires belting or hose replacements, look into the merits of a Republic brand. Republic Rubber Division of Lee Rubber & Tire Corp., Youngstown, Ohio.

REPUBLIC RUBBER
HOSE • BELTING
PACKING • MOLDED PRODUCTS

Order Republic Rubber Products From Your Distributor

Republic Challenger Transmission Belting installation.

Republic's famous Tower Pneumatic Hose in use.



THIS BUSINESS WEEK



When Maxim Litvinov was removed as Soviet Commissar of Foreign Affairs last spring, Russia kicked the last vestiges of her former foreign policy out with him. When Russia's No. 2 man, Molotov, took over the job, her foreign policy was reversed—first in Europe, now in the Far East, where for nine years she has supported China against Japan. Last week she made a deal with Tokyo, which may become as important as her non-aggression pact with Germany last summer. It not only will alter Russo-Japanese relations, but will also mean a multiplication of the C.C.P. signs and Communist Party spokesmen in the interior of China, as the Soviet extends her power. What the situation in the Far East means to American business—page 44.

Besides

THE COLLAPSE of U. S.-Argentine trade agreement negotiations marks the first failure of our reciprocal trade program—and, probably the end of active reciprocal trade treaty negotiations until the fate of the present act is decided by Congress—page 15... The story behind the newspaper headlines last week, which screamed, "Navy Wants War Power for President"—page 17... Airplane manufacturers' war orders have been monopolizing the headlines lately, but commercial aviation has a good deal to brag about too—page 18... Florida is still wary of the word "boom," but something like that is happening there this season—page 24.

BUSINESS WEEK • JAN. 13, 1940 • NUMBER 541

(With which is combined the Magazine of Business). Published weekly by McGraw-Hill Publishing Company, Inc., James H. McGraw, Founder and Honorary Chairman, Publication office, 99-129 North Broadway, Albany, New York. Editorial and executive offices, 330 W. 42nd St., New York, N.Y. James H. McGraw, Jr., President; Howard Ehrlich, Executive Vice-President; Mason Britton, Vice-Chairman; B. E. Putnam, Treasurer; D. C. McGraw, Secretary; J. E. Blackburn, Director of Circulation. \$5.00 per year in U. S. A., possessions year in all other foreign Entered as second class at the Post Office at Albany, N.Y., under the Act of March 3, 1879. Printed by the McGraw-Hill Publishing Company, Inc.

A McGRAW-HILL PUBLICATION



Photo of

ONE OF AMERICA'S SAFER PLACES

If uncontrolled, the hazards of a steel mill—huge machinery, white-hot bars, splashing "heats" of molten metal—would take a dreadful toll of lives and limbs. Yet steel mills, especially conscious of safety in presence of their danger, have progressed commendably in accident prevention.

Latest complete reports show an American Mutual-insured steel mill with an accident severity rate equal to only 26% of the average in *all* industries . . . and to 20% of the average for the steel industry.

Details of how this result was accomplished will be sent to interested executives upon request . . . but the principles are the same as in all the many cases where American Mutual policyholders found profits in safety.

The men whom American Mutual sends to help establish a safety program are practical safety men and practical plant operating men. Appreciative of management's viewpoint, sensitive to attitudes of workers, and familiar with production practices, they are well equipped to advise how safety problems can be most satisfactorily approached. It is such men who are to a great degree responsible for aiding our policyholders in reducing accident losses. Lower insurance costs also often result.

To these savings is added the value of injured men whose skill has been restored by our medical specialists. And a third profit, amounting to 20% or more of premium costs, has been regularly returned in cash dividends to all policyholders.

America's pioneer liability insurance company and its affiliate offer practically all forms of insurance except life. Write for "The Three P's of Safety" addressing Dept. H-1, 142 Berkeley Street, Boston, Massachusetts.

**AMERICAN MUTUAL
LIABILITY INSURANCE COMPANY
BOSTON, MASS.**

*Branches in 59 of the Country's
Principal Cities*



get 3 profits with
American Mutual



Taming 114 Wild Horses

Before the *performing* process was developed, a wire rope was like a herd of wild horses—114 wild wires pulling and straining in all directions.

Released by snipping the wire that binds them together at the ends, the wires instantly spring apart, as one rope above has done. Even when the rope is not in use, those wild wires are always under the stress of trying to untwist and pull apart. Engineers call this "internal stress."

In "Flex-Set" Preformed Yellow Strand the wires are more like the tame, trained horses of a cavalry troop, because the wires have been permanently shaped to a helical form before becoming part of the rope. Snip the binding wire and there is not the slightest tendency to fly apart. This means that there is practically no internal stress.

Without internal stress, "Flex-Set" Preformed Yellow Strand is tractable, easy to handle, install and splice; it offers great resistance to kinking and fatigue. It operates smoothly and spools evenly. Best of all, it lasts longer than rope of regular construction.

"Flex-Set" Preformed Yellow Strand is saving money for road builders, general contractors, rotary drillers, operators of mines, lumber camps, manufacturing plants.

It will save you money, too. Write for full details to any of our offices, branches or distributors.

**The most generally used wire ropes consist of 6 strands of 19 wires each—114 in all.*

BRODERICK & BASCOM ROPE CO., St. Louis

Branches: New York, Chicago, Seattle, Portland, Houston. Factories: St. Louis, Seattle, Peoria.
Manufacturers of all grades and constructions of wire rope, preformed and standard, for every purpose.

**"FLEX-SET" PREFORMED
YELLOW STRAND**

NEW BUSINESS

Monopoly

"ORGANIZED SCARCITY and Public Policy" (University of Chicago Press, 25c) is a new pamphlet of interest to business men. The author is Harry D. Gideonse, president of Brooklyn College and an economist. A keynote quote: "The monopolist is interested in organized scarcity . . . in the recent past monopoly was limited to the capitalistic and entrepreneurial side. Today contrived scarcity is the objective of farmers and trade-unions, as well as the key conception of a good deal of public policy abroad and at home."

Customers Labeled

NEW COMPULSORY inspection law passed by Congress to remove defective autos from Washington's streets requires colored stickers on all inspected cars. Three colors are used: green for cars in good mechanical condition, red for cars with minor defects, and yellow for serious safety lapses such as bad brakes or faulty steering. Thus policemen—and garage men looking for business—will be able to tell the condition of a car at a glance.

Casey Jones' Dumb Waiter

ONE OF THE EQUIPMENT INNOVATIONS on Southern Pacific's Daylight II, newest train between San Francisco and Los



Angeles, is electrically-operated baggage handling elevators. Luggage, lowered on a series of moving shelves, is unloaded through a sliding panel on the outside of the car.

Buried Treasure

PARAMOUNT STUDIOS' announcement this week that a backlog of 240 reels of feature films have been stored away in air-conditioned vaults in Hollywood indicates a new departure in movie production. Ordinarily, a studio has difficulty in delivering all the pictures promised to distributors. Representing an investment of around \$15,000,000 and a possible sales value of \$40,000,000, the pictures will be released weekly until September. Half

a dozen are in the million dollar class, three are westerns costing \$60,000 each, the rest average around \$500,000 apiece.

Quick-Freeze Quirk

LATEST WRINKLE in the quick-freeze food industry is Frosted Fruit Products, 201 Center St., Los Angeles, which supplies ice cream manufacturers and soda fountains with fruit for flavoring and garnishing. Heretofore, some fruit has been slow-frozen for this purpose but it consisted chiefly of by-products from growers' associations. New firm uses first-grade ripe fruit quick-frozen at 30 degrees below zero within 10 hours after picking.

"Everywoman's"

A NEW NICKEL MAGAZINE for housewives is being sold in grocery stores. Christened "Everywoman's," by the Coast-to-Coast Publishing Co., Inc., its monthly distribution of 300,000 copies has been undertaken by Francis H. Leggett & Co., wholesale grocers. Magazine has pictures, fiction and fashions.

Street Car Hostesses

DURING THE HOLIDAYS the Birmingham Electric Co. put hostesses on some of its street cars, as a publicity stunt. Despite its popularity the service has not become a regular part of street car operation in Birmingham.

Public Printer

AMONG THE REPORTS SUBMITTED to Congress at the current session was the United States Government Printing Office statement for the fiscal year ending June 30, 1939. During that period about 60,000 tons of printed matter were issued by the office. Interesting points: number of copies of publications printed—157,477,389; cost of Congressional printing (Congressional Record, bills, committee reports, franked envelopes)—\$2,700,000; other large users of government printing facilities were the Department of Agriculture, Post Office, Treasury Department, Patent Office, and the WPA.

Calls Intercepted

ON SEVERAL EXCHANGES in swanky sections of Manhattan, New York Telephone Co. operators will take calls when nobody is home. Charge: 25¢ for two hours. A similar answering service, utilized mainly by professional men, has been offered by private firms for several years.

Pay Envelope Advertising

A YEAR-OLD FIRM in New York City, the National Premium Pay Envelope Corp., furnishes about 3,000 employers with pay envelopes at no charge. Reason: the firm sells space on the envelopes to advertisers who can specify the salary bracket of employees they wish to reach, can also have an all-masculine or all-feminine distribution of their advertisements if they so desire.

HEAVY-DUTY FLOORS

STRONGER, NON-DUSTING, LONGER-WEARING

'INCOR' 24-HOUR CEMENT SAVES 2 WAYS:

(1) NO PLANT TIE-UPS; (2) EXPENSE-FREE SERVICE

INDUSTRIAL floors, loading platforms and the like, get hard use. So the concrete has to be good—good workmanship, good cement. Use the right amount of mixing water, proportion, mix and place concrete carefully; then, keep it wet until thoroughly cured. Other things equal, the more thorough the curing the better the concrete. Which is why 'Incor' 24-Hour Cement has the call for heavy-duty work.

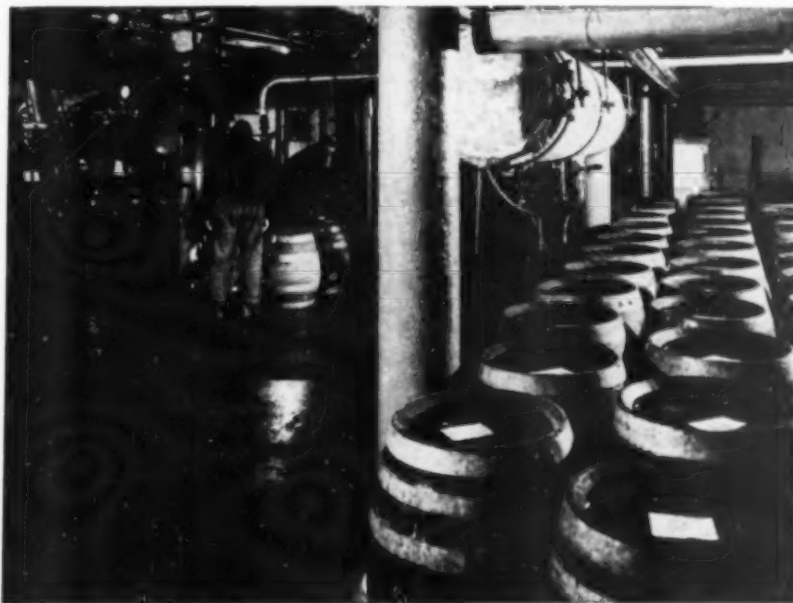
'Incor' cures thoroughly in one-fifth the usual time. That helps assure stronger, non-dusting, longer-wearing concrete.

And the concrete is ready to use sooner—no plant tie-ups. In winter, 'Incor' also cuts heating costs, protects against freezing.

Floor of Pilsen Brewing Company's Chicago rack-house (below) was re-built with 'Incor' last winter. Inside temperatures averaged 40°, but concrete was ready to use 48 hours after placing.

Use 'Incor' for quality concrete—you'll find it pays, and pays well. Write for copy of "Heavy-Duty Floors." Lone Star Cement Corporation, Room 2205, 342 Madison Avenue, New York. *Reg. U. S. Pat. Off.

Sales Offices: ALBANY, BIRMINGHAM, BOSTON, CHICAGO, DALLAS, HOUSTON, INDIANAPOLIS, JACKSON, MISS., KANSAS CITY, NEW ORLEANS, NEW YORK, NORFOLK, PHILADELPHIA, ST. LOUIS, WASHINGTON, D. C.



LONE STAR CEMENT CORPORATION

MAKERS OF LONE STAR CEMENT · 'INCOR' 24-HOUR CEMENT

BIG BUSINESS—NO. 22



Rubber

RUBBER was discovered by Columbus, but had little commercial value for two and one-half centuries, until Charles Goodyear in 1839 developed the vulcanization process that made the modern rubber industry possible.

Today we have rubber textiles, rubber flooring and rubber cushioning material. We walk on rubber, sit on rubber, wear rubber clothing, and ride in a motor vehicle that is cushioned and insulated by rubber at more than 200 different points. Thousands of industrial uses for rubber have also been developed to aid other industries in their production problems.

Research has greatly expanded the uses for rubber. Today there are

more than 32,000 different rubber products, ranging from tiny surgical instruments to giant conveyor belts 10 miles in length.

The constant aim of the rubber industry has been to produce better goods at lower prices. As an example—the cost of tires per mile of service today is only 1/2 as great as in 1930, and only 1/10th as much as in 1920.

There are now nearly 500 rubber companies in the United States. In 1938, they produced \$650,000,000 worth of goods, gave employment to 150,000 people and paid wages of more than \$200,000,000. America now manufactures a greater volume of rubber products than all the rest of the world combined.

*As bankers for industry, and as trustee for the funds of others,
it is part of our responsibility to contribute something to a
better understanding of the facts about private business.*

BANK OF NEW YORK

48 Wall Street—New York

UPTOWN OFFICE: MADISON AVENUE AT 63RD STREET

Established 1784

Personal Trusts Since 1830

Copyright 1940—Bank of New York

WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau) The ax will be the symbol of this Congress, if you believe all you hear. If, on the other hand, you remember human nature, you can watch that ax turn into a gentle pair of pruning shears before your very eyes.

Gentle or not, pruning is very much in prospect—maybe not all the cuts the President recommended—although it will be good politics to pin him with the responsibility—but plenty of others. Even national defense will not be a sacred cow. The Mid-Western boys are already shooting at Guam and the super-battleships. They will continue their sniping.

No Tax Increase

THE MAIN POINT about the economy drive is that there will be no additional taxes. Every member of the House and one-third of the Senate are up for reelection. It's a bad time to irritate constituents.

The tactics are plain. Sen. Harrison gives lip service to the President's proposal for a \$460,000,000 tax boost but delays action by insisting on a House-Senate budget-studying committee. Chairman Doughton sidetracks the proposal in the House by getting his committee busy with reciprocal trade. Everybody wants to wait until the March 15 income tax returns—and then may wait some more—until after election.

No Worry about Debt Limit

ANYHOW, that \$45,000,000,000 debt limit—which we will probably pass in the fiscal year that's now being appropriated for—doesn't scare the legislators as much as you might think. Because it won't be reached until after election.

The new fiscal year will only be in its fifth month when the voters go to the polls, in its seventh month when Congress meets again in January, 1941. For the present the attitude seems to be: "After us the deluge." The first problem is to get re-elected—then worry about the debt.

The Realistic View

MANY A CONGRESSMAN (and many a constituent) will be set back on his heels by the startling "realism" of the Administration's defense plans. A sample, buried deep in the Navy's bid for immediate appropriation, is \$206,000 for preparing and loading of mines to protect 10 harbors including both ends of the Panama Canal. The blunt explanation vouchsafed by Admiral W. R. Furlong, Chief of Naval Ordnance is that there is no telling when an emergency may break.

Arnold—Hat in Hand

THURMAN ARNOLD will go to bat in Congress next week for a boost in appropriations for his antitrust drive. The Assistant Attorney General made a big play with the \$1,309,000 he got for this fiscal year, but candidly admits his program will fizzle if Congress cuts him down.

The President's budget for next year pared off \$100,000, but in line with F.D.R.'s strategy in handing Congress a phoney, this should not be construed as a rebuke from the throne for the trust-buster. Arnold's fate hangs on the reaction in Congress to lobbying by A.F.L. to cut off his money.

Arnold is not out to smear union labor. His plea to Congress will be that he can't, in good faith, slap down corporations for tying up the building industry and let the unions off. Arnold can count on as much support from Attorney General Bob Jackson, his immediate predecessor in the antitrust job, as he got from Murphy—perhaps more.

TNEC Expected to Keep On

YOU CAN TAKE IT as pretty certain now that the Temporary National Economic Committee will keep going this year. Its price "scouting" since the outbreak of Europe's war has given Chairman O'Mahoney a good peg on which to hang a request for more funds.

Appropriations to date total \$410,000.

A Matter of Disposition



Under the gentle but cunning hand of Pat Harrison, chairman of the Finance Committee, the Senate will come pretty close to writing its own budget. The President proposed; the House will discuss; but the Senate will just about dispose.

against an original authorization of \$500,000. More than this balance would be needed by TNEC to wind up its affairs in good order if it were to quit now. About \$200,000 would be needed to continue its expensive method of oral hearings into next fall.

Leon Henderson and other New Dealers who have primed TNEC's investigations from the start won't do any lobbying, but ambitious Sen. O'Mahoney's colleagues in the Senate probably will vote enough money to keep the show running.

Jobs and Basing-Points

A CHESTNUT that is always good for another roasting is the effect of technological progress on employment. TNEC's record will include a new report on the subject, but it won't get much of a public airing prior to publication.

Look for the Federal Trade Commission to use the Treasury Department's figures on identical bidding on government contracts (BW-Jan 6 '40, p. 7) as an argument for f.o.b. mill pricing when it renews its attack on the basing-point system at steel hearings to be resumed before TNEC late this month.

For Fewer Labor Rows

STRAW IN THE WIND revealing NLRB's sense of its own peril is the well-nigh incredible report from informed quarters that board officials are in sympathy with the suggestion that the Norris-La Guardia Anti-Injunction Act and not the Wagner Act should be amended. Generously attributing 90% of employer's troubles to the struggle between C.I.O. and A.F.L., board officials argue that they could be greatly abated by placing such disputes beyond the pale of the anti-injunction law, thus outlawing strikes and picketing by minority unions in plants in which an exclusive bargaining agency has been designated by NLRB.

Now that you have read this, you can forget it. Congress won't permit the board to gain sanctuary by this route, though there is a bare possibility that the Supreme Court may come to the rescue of employers caught in the cross-fire of the two laws.

Receivership for A. G. & E.

WHEN THE Securities and Exchange Commission this week refused to approve a dividend disbursement of the Associated Gas & Electric Corp. to its holding company, Associated Gas & Electric Co., two things happened: (1) The parent was forced into equity receivership in New York State, and (2) public utility holding companies in general were put on the uneasy seat. The SEC's action stopped an upstream dividend required by the parent to meet interest require-

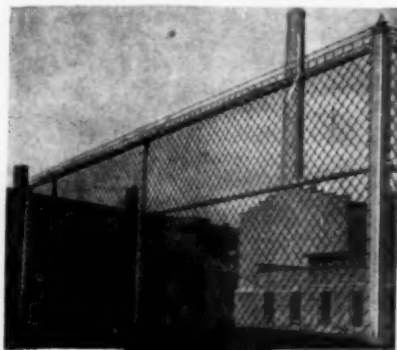
PROTECTION

FOR INDUSTRIAL PROPERTIES

Against

SABOTAGE, TRESPASSERS

TROUBLE-MAKERS



ANCHOR

FENCE

**RESISTS FORCE, ALWAYS STAYS
IN LINE, QUICKLY INSTALLED**

Europe's war has brought an increase in sabotage, trouble-making and trespassing to industries here at home. Your plants and equipment are more than ever subject to malicious damage which might interrupt your production schedules, wipe out your profits. Experience in the last war proved that one certain form of protection is an Anchor Fence.

Far-seeing executives are today installing Anchor Fences to completely protect their plant—adding sections at strategic points where necessary—installing new fence to take care of plant expansions.

Anchor's Nation-Wide Erecting Service assures you immediate installation—and an Anchor Fence will quickly return its cost by preventing saboteurs or trouble-makers from halting profitable operations. Send for the Anchor Fence Engineer today. He will recommend the proper Anchor Fence installation for complete protection of your plant or mail the coupon now for free Industrial Fence Manual.

SUGGESTION—Since the War broke out, more orders have been placed for Anchor Fences than during any corresponding period for the last 10 years. Our production and Nation-Wide Erecting Service are still able to fill your orders promptly. We suggest, however, that you act quickly.

MAIL COUPON NOW!

Anchor Post Fence Co.
6670 Eastern Ave.,
Baltimore, Md.

- ☐ Please have Anchor Fence Engineer call.
☐ Send illustrated Industrial Fence Manual.

Name.....

Firm.....

Address.....



ments Jan. 15. This suggests that the commission might use this device again when it wants to put the screws on a far-flung utility system which it would like to see integrated (or is the word disintegrated?)

Stockholders' Field Day

NEW PROXY RULES which the Securities and Exchange Commission is working on should make stockholder's meetings a field day for professional minority leaders. Certainly there's an open invitation to liven up such decorous proceedings in SEC's projected rules that any director put up for office must have an opponent and that proxy forms must include notification not only of official business to be brought before the meeting but of any subject which any stockholder has advised the corporation he intends to bring up.

Inventories Hard to Check

DON'T EXPECT TOO MUCH of the Commerce Department's first inventory checkup, undertaken in an effort to forestall runaway price movements. The department isn't very hopeful of results of the November canvass, but will be satisfied if it serves to establish reporting procedure.

The response of industries sampled was fair, but many concerns were not able to comply because their records don't mesh with the department's questionnaire (BW—Dec 9 '39, p18). Consequently, the calculations must be adjusted. Pending analysis of the returns for November, the questionnaire for December is being mailed out this week.

Where Does the FDA Belong?

IF THE FOOD AND DRUG Administration is transferred from the Department of Agriculture to such an organization as Paul McNutt's Federal Security Agency (of which there's some talk), it will be only because Congress has become callous to such rural evils as hog cholera and livestock tuberculosis.

Laying the groundwork for a rural revolt to combat the threat of transfer, Secretary Wallace's annual report contends that the logical place for FDA is his department because of its efficacy in preventing distribution of fake remedies for dumb animals. Under Wallace's persuasive pen—obviously aimed at legislators from the far hills—the Food, Drug and Cosmetic Act becomes a farmer-protective law of highest importance. No mention is made of its basic consumer-protection rôle.

Wallace argues that it prevents "contamination, debasement, and misrepresentation of farm products by unfeeling manufacturers."

Commercializing Television

LEADERS OF THE TELEVISION INDUSTRY—Sarnoff of RCA, Farnsworth the inventor, and various spokesmen for the Columbia

The Roosevelts—At Home

HAVE YOU NOTICED recurrence of a trend that was so marked in the New Deal's early days and during the 1936 political campaign—the homey, down-to-earth, man-to-man, good-fellowship sort of news-copy and pictures that flows, or is allowed to flow, from the White House?

For example, there was that family portrait at Christmas time with the kiddies crawling on the floor, and then a special shot of F.D.R. bouncing the two youngest on his knee.

Then there was that inside description by two correspondents in their widely syndicated column about how New Year's Eve was spent at the White House in deep discussion of social problems, with a notable emphasis on the lack of drinks and general merriment. Add to that the alluvial deposit of intimate notes sounded by Mrs. Roosevelt with increasing regularity in "My Day" and the good natured "plateside" chat delivered by the President at the Jackson Day dinner and politicians say you have something to conjure with in 1940.

Broadcasting System, Philco, and General Electric—will air their views on proposed rules for regulating television before the Federal Communications Commission, Jan. 15. Principal contested point is whether full commercial sponsorship of programs would be permitted or whether the Communications Commission's program of limited commercialization should prevail. Under this plan at present sponsors pay only the costs of programming while experimental operation of television is continued.

A battle looms between advocates of the latest radio broadcasting development, frequency modulation, and promoters of television. Claims will be advanced that frequency modulation should be assigned one of seven channels now allocated to television.

FTC Guards Dignity

ANGERED AT AFFRONTs to its dignity in several recent hearings, the Federal Trade Commission is hastily amending its rules of practice to give trial examiners, for the first time, authority to maintain order in hearing rooms. Attorneys who openly defy the trial examiners will be cited to the commission and may be disbarred.

Primary cause of the new rule, which is effective immediately, was the conduct of Albert Lane of New York, trading as Consumers' Bureau of Standards, Inc., and charged by FTC with blackjacking

manufacturers into buying copies of "Consumers' Bureau Reports." When Lane "cut up" at a hearing in New York, the trial examiner summarily recessed the hearing, even though he had no specific authority to do so.

FTC sticklers for form were none too pleased at side remarks made by *Good Housekeeping's* attorneys during recent hearings.

Sturges Plan Progresses

BEST INDICATION that the liquor industry will accept a modified Sturges plan for industry control (BW—Oct 28 '39, p. 16) is the quiet dissolution of the so-called "Peffer Committee" voluntarily set up in June, 1938, to improve trade practices.

Made up of H. L. Peffer, former president of Seagram Distillers Corp., Joseph H. Choate, first chairman of the Federal Alcohol Control Administration, and Louis D. Keidel, vice-president of Bankers Trust Co., the committee was supported by about 15 leading distillers.

It is now virtually certain that the distillers will ratify a Sturges plan this spring—but it won't be the stern Mosaic code that Sturges planned.

Co-op Bill Rouses Retailers

WATCH FOR TELLING OPPOSITION from retail groups when Sen. Norris' bill to broaden the Agriculture Marketing Act's benefits to farm purchasing cooperatives comes up for hearing soon. Under the measure, farm co-ops receiving Farm Credit Administration loans would no longer have to stick to sale of farm supplies exclusively, and non-farmer consumer co-ops could join federations to get government credit on the same terms as farm co-ops.

Without committing himself further, Secretary Wallace concedes the bill is so broad that "any association" could qualify for marketing act benefits.

Softening War for Farmer

ALARMED by barriers against farm exports which war has raised, not only cutting off markets by blockades but placing burdens through quotas and licenses, the Administration is studying possible means of circumventing some of these restrictions and of softening the blow.

Wallace's advisory council has been called for Jan. 16 to receive an analysis of the foreign situation as it affects farm products and to ventilate any ideas its members may have.

So much is for the record. Trade groups represented on Wallace's council expect he will try to make converts for his processing tax scheme.

Incidentally, you can take it as gospel that Wallace got F. D. R.'s backing for the plan before he went out West. But you can also take it as gospel that Wallace has been chalked off as either No. 1 or No. 2 man because he has no political "it."



"ideal location"

WRITES

Vice-President and Managing Director
SHERWIN-WILLIAMS COMPANY

"...the writer made a comprehensive survey of available factory sites and finally selected Oakland as the ideal location.

"In the Metropolitan center with a population of 1,500,000 and a greater market including the 11 Western States with more than thirteen million population...a natural port of entry to the Hawaiian Islands and the Orient...perfect climate (permitting year around manufacturing operation)...a plentiful supply of labor and ample land moderately priced...

"These factors largely influenced our decision on Oakland."

—L. W. Wolcott.

IT PAYS TO MANUFACTURE IN THE WEST TO SERVE THE WEST

It pays *best* when your plant is located in the Metropolitan Oakland Area... the logical distribution point from which to serve the entire West quickly and economically.

Our booklet, "The Natural Industrial Center of the West," shows why. It gives facts, figures and photos of importance to every manufacturer who is thinking of establishing a plant in the West.

A Special Survey—confidential, unbiased, accurate—of conditions related to your operation gladly prepared on request. To be followed by an *On-the-Ground Study*, covering every detail, made by our Industrial Engineer cooperating with your representative.

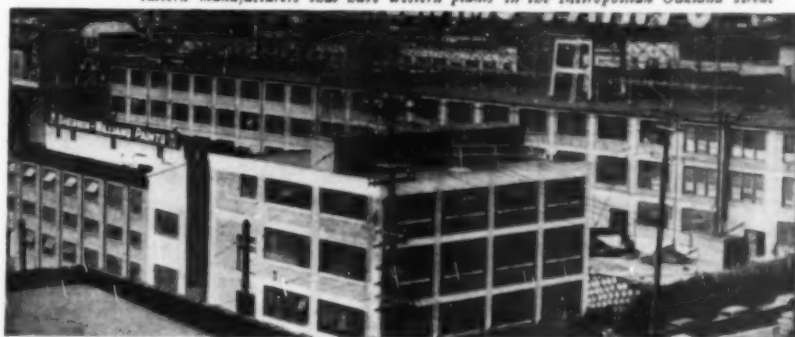
All without cost or obligation. As a preliminary write for booklet now, METROPOLITAN OAKLAND AREA, 397 Financial Center Bldg., Oakland, Calif.

METROPOLITAN OAKLAND AREA CALIFORNIA

★Alameda, Albany, Berkeley, Emeryville, Hayward, Oakland, Piedmont, San Leandro and the Rural Communities of Alameda County

The NATURAL INDUSTRIAL CENTER of the WEST

Portion of Sherwin-Williams Company factory, one of more than 150 nationally known eastern manufacturers that have western plants in the Metropolitan Oakland Area.



In 1940

CRIME AND ERROR

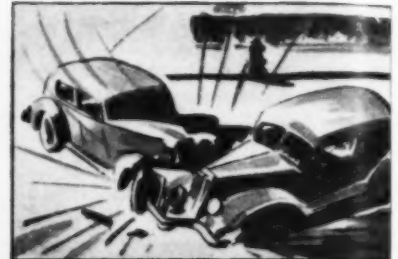
WILL WASTE BILLIONS of AMERICAN DOLLARS

LET OUR AGENTS *protect you* from LOSS

INSTINCTIVE human traits —CRIME and ERROR— will in 1940, as in 1939 and years past, rob many of billions of dollars in cash, securities and valuables. Will you or your company share any of these losses?



CRIME—This year embezzlers will filch \$200,000,000 from their employers.



ERROR—Human Error will blast away about \$1,500,000,000 in traffic accidents.



CRIME—95% of crimes recorded with the Federal Bureau of Investigation are committed to obtain property.



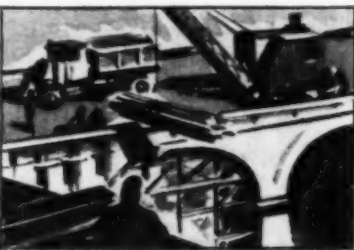
ERROR—Human Error causes loss to property owners through their liability for injury or damage to others.



CRIME or ERROR—Failure of fiduciaries to perform duties faithfully can cause grave loss to estates.



CRIME—Institutions and individuals need protection against loss through forgery—the fastest growing crime!



ERROR—Negligence and incompetence cause loss by preventing completion of projects as contracted.

THROUGH agents everywhere, American Surety Company and its affiliate, New York Casualty Company, underwrite these and other casualty and surety losses caused by Crime and Error. Let an agent of either Company show you *beforehand* the answer to losses that may otherwise be unavoidable.

PREVENT—DO NOT LAMENT LOSS!

**AMERICAN SURETY COMPANY
NEW YORK CASUALTY COMPANY**

HOME OFFICES: 100 Broadway, New York

Both Companies write fidelity, forgery and surety bonds and casualty insurance.

THE
PRO
★ Stee
★ Aut
★ Res
★ Eng
★ Elec
★ Cru
Bittu

TRA
★ Mis
★ All
Chee
Mon
Dep

PRI
Spot
Iron
Scrap
Copp
Whee
Suga
Cotte
Wool
Rub

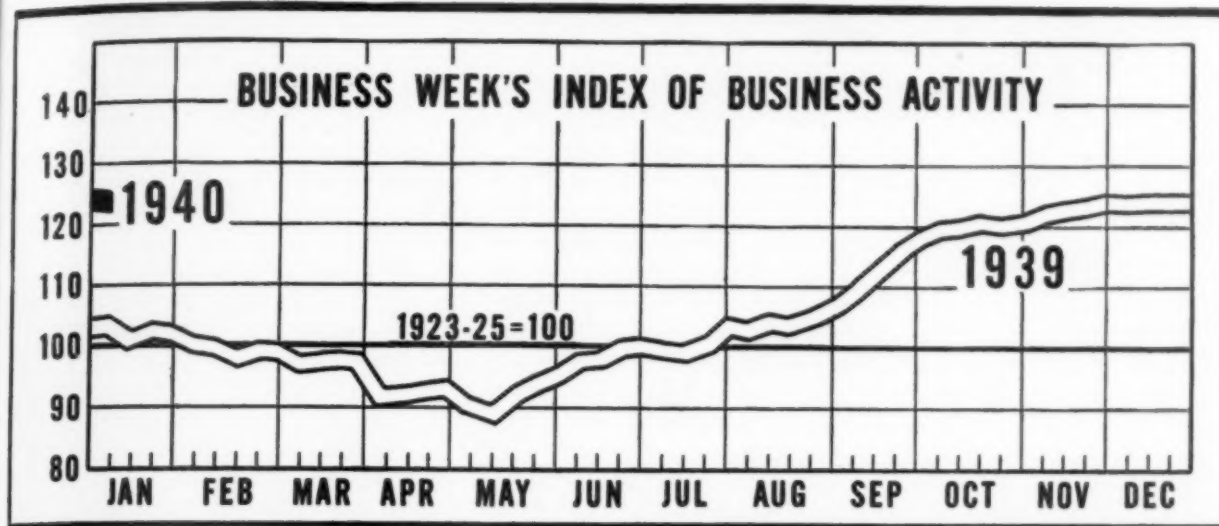
FINA
Corp
U. S.
U. S.
Call
Prim
★ Busi

BAN
Dema
Total
Comm
Secur
U. S.
Other
Exces
Total

STOC
50 In
20 Ra
20 U
90 St
Volu

★ Factor

THE FIGURES OF THE WEEK



	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
THE INDEX	125.0	125.6	125.4	101.0	105.3
PRODUCTION					
★ Steel Ingot Operations (% of capacity).....	86.1	85.7	91.2	49.7	51.7
★ Automobile Production.....	87,510	89,365	115,488	42,784	76,685
★ Residential Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$3,983	\$4,391	\$4,834	\$4,318	\$3,603
★ Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$9,558	\$8,457	\$8,828	\$7,739	\$16,038
★ Electric Power Output (million kilowatt-hours).....	2,473	2,404	2,586	2,078	2,169
Crude Oil (daily average, 1,000 bbls.).....	3,583	3,545	3,827	3,530	3,215
Bituminous Coal (daily average, 1,000 tons).....	1,646	1,510	1,508	1,123	1,574
TRADE					
★ Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	69	72	76	69	63
★ All Other Carloadings (daily average, 1,000 cars).....	43	42	43	42	42
Check Payments (outside N. Y. City, millions).....	\$5,605	\$4,629	\$4,649	\$4,129	\$5,153
Money in Circulation (Wednesday series, millions).....	\$7,581	\$7,663	\$7,545	\$7,100	\$6,839
Department Store Sales (change from same week of preceding year).....	+8%	+13%	-5%	+3%	+2%
PRICES (Average for the week)					
Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	168.1	169.1	163.4	142.2	143.7
Iron and Steel Composite (Steel, ton).....	\$7.09	\$7.10	\$7.26	\$35.81	\$36.36
Scrap Steel Composite (Iron Age, ton).....	\$17.67	\$17.67	\$18.08	\$14.79	\$14.92
Copper (electrolytic, Connecticut Valley, lb.).....	12.500¢	12.500¢	12.500¢	10.160¢	11.250¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$1.04	\$1.01	\$0.93	\$0.69	\$0.72
Sugar (raw, delivered New York, lb.).....	2.81¢	2.81¢	2.95¢	2.90¢	2.78¢
Cotton (middling 1/8", ten designated markets, lb.).....	10.83¢	10.82¢	10.39¢	9.53¢	8.50¢
Wool Tops (New York, lb.).....	\$1.132	\$1.154	\$1.172	\$0.863	\$0.850
Rubber (ribbed smoked sheets, New York, lb.).....	19.38¢	19.07¢	20.19¢	16.40¢	16.13¢
FINANCE					
Corporate Bond Yield (Standard Statistics, 45 issues).....	5.61%	5.76%	5.70%	5.73%	5.72%
U. S. Bond Yield (average of all issues due or callable after twelve years).....	2.28%	2.30%	2.40%	2.18%	2.48%
U. S. Treasury 3-to-5 year Note Yield.....	0.44%	0.47%	0.56%	0.47%	0.68%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	1/2-3/4%	1/2-3/4%	1/2-3/4%	1/2-3/4%	3/4%
† Business Failures (Dun & Bradstreet, number).....	250	190	297	208	312
BANKING (Millions of dollars)					
Demand Deposits Adjusted, reporting member banks.....	18,566	18,720	18,824	17,109	15,888
Total Loans and Investments, reporting member banks.....	23,087	23,260	23,162	22,000	21,526
Commercial and Agricultural Loans, reporting member banks.....	4,353	4,400	4,378	3,872	3,826
Securities Loans, reporting member banks.....	1,204	1,221	1,183	1,192	1,443
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	11,115	11,162	11,139	10,635	9,921
Other Securities Held, reporting member banks.....	3,298	3,340	3,377	3,223	3,193
Excess Reserves, all member banks (Wednesday series).....	5,270	5,050	5,180	4,292	3,298
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,564	2,568	2,568	2,569	2,604
STOCK MARKET (Average for the week)					
50 Industrials, Price Index (Standard Statistics).....	122.4	121.9	119.7	108.8	126.6
20 Railroads, Price Index (Standard Statistics).....	32.4	32.1	31.8	26.5	32.8
20 Utilities, Price Index (Standard Statistics).....	71.6	70.0	68.5	66.0	66.4
90 Stocks, Price Index (Standard Statistics).....	100.4	99.7	97.9	89.3	102.2
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	701	994	742	450	1,070

★ Factor in Business Week Index. * Preliminary, week ended Jan. 6th. † Revised. ‡ New Series. § Date for "Latest Week" on each series on request.



"Silk Stockings in the Morning? Imagine!"

SILK stockings a luxury? Not today, but they were 25 years ago. So was an automobile, and a telephone. An incandescent lamp—not half so good as the one you now get for 15 cents—then cost more than twice as much. And you couldn't buy a radio or an electric refrigerator for love or money.

These are only a few of the things we accept today as commonplace. We expect wide, smooth, well-lighted streets. We want automatic heat in our homes; we clean our rugs with vacuum cleaners. When we go to the dentist we expect him to use an electric drill; we accept without comment an X-ray examination as part of a medical check-up. Luxuries? Not at all; they're part of the American standard of living.

How did they become common in so short a time? Not by some sudden change in our wealth and habits. It was through years of steady work by American industry—scientists, engineers, and skilled workmen developing new products, improving them, learning to make them less expensive so that more millions of people could enjoy them. And so, imperceptibly, luxuries have changed to necessities.

More than any other one thing, the increasing use of electricity in industry has helped in this progress. For more than 60 years, General Electric men and women have pioneered in making electricity more useful to the American people—have led in creating More Goods for More People at Less Cost.

G-E research and engineering have saved the public from ten to one hundred dollars for every dollar they have earned for General Electric

GENERAL ELECTRIC

90-20862

B U S I N E S S W E E K

January 13, 1940

THE BUSINESS OUTLOOK

Business backs and fills like the stock market, debating whether orders flowing from a spring offensive in Europe would offset psychological reaction. Rising consumer buying is a supporting influence.

SINCE THE FIRST OF THE YEAR business has been poking along like an ocean liner in one of those pea-soup fogs. The stock market gives a fair idea of the business man's state of mind. It backs and fills on a not excessive volume, having, one day, ideas of going places, the next day, no idea of going any place at all. The BUSINESS WEEK Index continues to thread its way along the upper reaches of its December range (chart, page 11) with faint suggestions—as backlogs thin out—that it will shortly begin to move lower.

The stalemate in the Index in recent weeks may be described as a resultant of a battle of the components. The 8-point drop in steel ingot operations has been counterbalanced by sharp gains in automobile output. Electric power pushed into new high ground (on a seasonally adjusted basis) and offset modest dips in residential building and heavy construction. And in their vagarious movements, the two carloading series have just about cancelled one another.

Orders Neither High Nor Low

The high rate of current business operations can be readily explained by the substantial backlogs of orders built up in September and October and the brief buying flurry in textiles in December (BW—Dec 16 '39, p. 13). The aimlessness can be explained by the state of incoming orders. Reports from BUSINESS WEEK's field representatives indicate that orders are neither optimistically high nor pessimistically low, so most manufacturers are continuing to produce at recent rates, even though shipments are exceeding new business.

Business and Elections

There are still two other reasons for the current industrial indecision—war and politics. It is traditional that Presidential years are disturbing to business. Unquestionably, there are moments in which political approbation or disapprobation influences business men's decisions. But, by and large, the major decisions are in response to phenomena of the business world itself: inventories, new orders, price trends, and immediate (rather than longer term) profits prospects. And it is worth noting that in the

last five Presidential years, business in December was higher than in the preceding January in 1924, 1928, and 1936, and lower in 1920 and 1932. This implies, perhaps, that the phase of its cycle that business is in has more bearing on the trend than the election.

The war in Europe, of course, is the great unfigurable. There is a growing conviction that things will begin to happen soon with Hore-Belisha out as War Minister in Britain and with economic problems becoming (so it is said) more acute in Germany. The idea is that in the spring, if not before, aggression will displace current defensive operations,

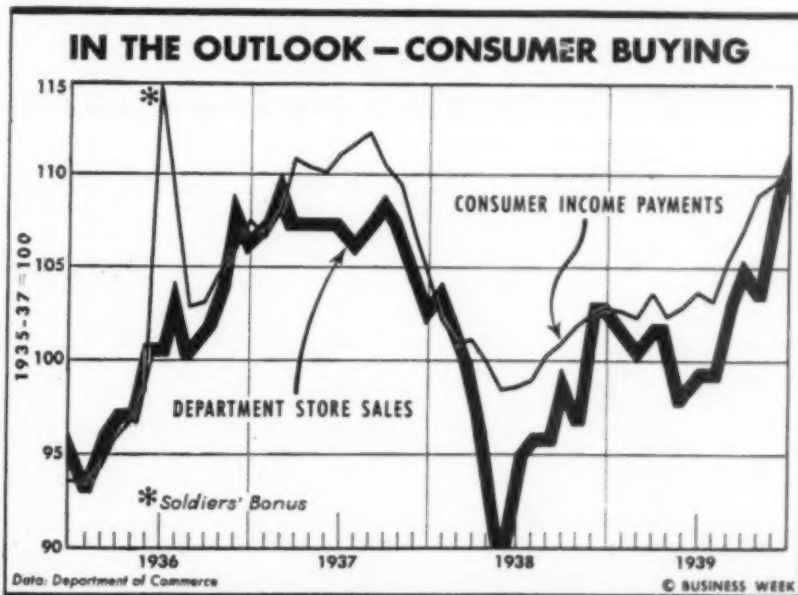
and that aggression and its concomitant destruction should stimulate European demand for American goods.

Looking at this grim possibility from the strictly business viewpoint—which it is hard to do—that ought to mean expanded orders for the heavy industries. Yet, there is a mode of thought current which discountenances these new orders as a levitating influence on business. Those who follow it reason that the revulsion from intense war will be so great and fear of this nation's entry will be so intensified that the stock market and business will go down.

Effect of Intense War

This department is not inclined to accept the latter view, though it recognizes it. Such a sentimental surge could develop only under a given set of depressing business conditions, such as these:

(1) If business backlogs were low; (2)



Always a good test of business to come is how people spend their money. And right now that test reveals promising results. December department store sales (estimated) pushed to a new high since 1931, exceeding, by a narrow margin, the 1937 top. But, even more significant is the fact that consumers who today are getting less income than in 1937 are spending more. Observe how in

the summer of 1937 consumer income payments (comprising wages, salaries, interest, dividends, rents, profits, and everything else you can think of as individual income) were well above 110; how in December '39 consumer income barely nudged the 110 line. Which suggests, since retail volume is higher and income is less than in 1937, that people are spending more willingly now than then.

if new order prospects were dismal; (3) if buying from Europe was small. Then the stage would have been set for a decline anyway and the war's intensification would be as good an excuse as another one. Meanwhile, before becoming overbearish it is well to note that the war has not intensified yet.

Moreover, there is latent strength in

our domestic economy in the form of expanding consumer purchasing power and a willingness to spend, as shown in the chart on page 13. And, compared to 1937, there is one deflationary factor lacking. Three years ago in the spring, instalment finance companies began tightening up on terms. All of a sudden, the consumer who, for example, could

have purchased a used car for \$20 a month for 18 months was forced to pay \$30 a month for 12 months. That meant an immediate and large contraction in available purchasing power. Now, finance companies are getting more liberal—if anything. Which suggests instalment credit terms may add to, rather than subtract from, nearby consumer buying.

The Regional Business Outlook



PHILADELPHIA—Business here is following the national pattern. The production trend has flattened out, the steel rate has dropped, and backlogs are wearing thin at the present volume of output. Unless new orders pick up soon, factory working schedules will have to be readjusted—downward.

But the impact of the recent rise in durable goods output has been transmitted to consumer income and retail trade. Seasonally adjusted indexes reveal that department store volume was better in December than in any month since 1931. Industrial towns, of course, have been the leaders in the comparisons with a year ago—Allentown, Altoona, Johnstown, Pa., Trenton, N. J., and Wilmington, Del. The recent cold weather has stimulated the sales of heavy apparel, cushioning the usual post-Christmas decline.

Capital Commitments

Anthracite mines, too, have benefited from the cold spell. Production is back to a six-day week basis. Last month's shutdown (*BW—Dec 9 '39, p14*) reduced stocks and firmed prices; now operators are trying to develop some way of stabilizing operations in the industry.

Corporations are reflecting general business confidence with capital commitments. The Pennsylvania Salt Manufacturing Co. has purchased two tracts on the Delaware at Cornwells Heights, Pa., in preparation for putting up a \$2,000,000 plant; du Pont is developing a 32-acre residential community for employees of its \$8,000,000 Nylon factory at Seaford, Del.; at Chester, Pa., the Scott Paper Co. has placed its newest paper-making unit in production.



CHICAGO—This district's biggest industry—automobiles—is bound to soften any business decline over the next few months. Despite recent heavy production schedules, manufacturers are still far behind on their deliveries; and so, instead of the usual January sag, output will hold around current levels. Not only will this sustain employment and payrolls in automobile plants in Detroit, but also it will bolster operations among auto accessory companies and steel mills.

Steel Rate Best in Country

Since motor vehicle makers do not customarily stock steel in quantity (it rusts in storage unless specially treated), automobile requirements will tend to keep Chicago, Gary, and Detroit mills fairly busy. Indeed, this has already happened. The steel rate for this Reserve district is higher than in the rest of the country—90% as against 85%.

But steel orders from other sources are not abundant. In railroad equipment, for instance, no unusually large volume of new business is in sight, even though freight car builders are apt to be occupied for some time to come on orders which were placed last fall. Miscellaneous steel demand, due to year-end inventory-taking, has been decidedly slack in recent weeks.

With good auto production as a base, employment is unlikely to tailspin—as in late 1937. Moreover, with payrolls larger than in any January since 1929, the trend in retail trade is still up—following the best Christmas in a decade. And deposits in savings accounts, higher than at the close of 1929, indicate a latent consumer buying power.



SAN FRANCISCO—Consumers here have not responded to the general upturn in business during the last few months. Though factory payrolls are 20% ahead of 1939 and farm income is up 5%, retail trade has been meandering along around last year's levels. And whereas in the nation, department store sales are up to the 1937 peak (see chart, page 13), volume here is some 7% below.

A combination of circumstances has made consumers conservative. In rural areas, lack of moisture has discouraged farmers (*BW—Dec 9 '39, p14*). In shipping circles, the consequences of the coming lapse in the Japanese trade treaty are viewed with apprehension. The ham-and-eggs election campaign in California was a cause of general concern throughout most of this wide Reserve district. And just before Christmas there was a strike of ship clerks. It ended only last week.

Trade Turn Due

But if recent sales of automobiles and furniture are a good indication, retail trade in general shortly may make up the lag, particularly since some rains of late have lifted confidence in farming communities. Moreover, in urban areas, long-term investment has been a sustaining business influence. During 1939, residential building was the best in a decade—only 10% below 1929; and construction in the rapidly expanding aviation industry will help to offset the drop in government public works contracts. Incidentally, the federal food stamp plan is of growing importance to agriculture in this district. Of the 16 products on the list of surplus commodities being distributed to persons on relief, 12 are produced here.

The Regional Outlook surveys each week three of the twelve business areas of the country.

Reciprocal Pacts in Crucial Test

Business has vital stake in what promises to be biggest Congressional battle. Argentine blowup shows public reluctance to pay price for Pan-Americanism.

RECIPROCAL TRADE NEGOTIATIONS with Argentina and Uruguay have come to an end and Congress has begun its investigation of the merits of the Hull trade agreements program. On June 12, the special authority granted to the President to negotiate these agreements without Congressional action will expire unless it is extended by this Congress. The treaties already negotiated will not themselves expire until they individually run out or are cancelled. But the argument over whether there should be any more of them points to the biggest Congressional battle in sight—and one in which business has a vital interest.

Breakdown of the trade talks with Buenos Aires is the first major defeat in Secretary Hull's drive to expand foreign trade by a gradual lowering of mountainous trade barriers. The first of the 20 agreements now in force was signed with Cuba on Aug. 24, 1934; the most recent was the pact with Venezuela, signed last November. The others, in the order in which they were negotiated, are Belgium, Haiti, Sweden, Brazil, Canada, the United Kingdom, Switzerland, Honduras, Colombia, Guatemala, France, Nicaragua, Finland, El Salvador, Costa Rica, Czechoslovakia, Ecuador, and Turkey.

Democrats and Republicans alike have supported the reciprocal trade program more generally than any other Roosevelt policy, probably because the State Department has developed it so cautiously. No drastic tariff cuts have been made. Where a section of the country feared it would be ruined by some tariff slash, temporary quotas were applied as in the case of shingles in Canada and oil in Venezuela.

Want No Return to Old Logrolling

This helps to explain why so many business leaders have swung around to support of the program, and why the American Farm Bureau Federation is backing those who want to extend the law for three years beyond June 12. On Monday William Green, president of the American Federation of Labor, denied that he favored or disapproved extension of the entire program.

No new reciprocal trade negotiations will be opened until Congress acts on the President's request for an extension of the present law. And even if it is extended, it cannot operate as effectively during a war emergency as it has during the last five years. But the fear of many business leaders is that, if the law lapses,

the country will return to a period of unbridled log-rolling by uneconomic producers and to excessive tariffs.

In the chaos which is likely to follow a long war, this would put the United States in an unfavorable position to take prompt and constructive economic leadership in its own hands.

A Look at the Record

The airing which the whole trade agreements program is to have in Congress should provide an opportunity to iron out weaknesses and inconsistencies, and to acquaint more people with its purposes and possibilities. The record of the 20 agreements which are in effect is open for inspection. It will condemn or indorse the program.

Trade deals with any of the other countries in Latin America are easier to negotiate than with the Argentine because their exports are complementary rather than competitive. But the collapse of the Argentine negotiations is significant for it reveals the reluctance of the United States public to consider the whole broad picture of inter-American relations and pay the price of a war-free Pan America.

In the case of Argentina, one of our biggest markets in South America is involved. But Washington and Buenos Aires have always had differences over trade policies. Sometimes they have been very bitter.

The trouble arises because Argentina's main exports have always been competitive with ours. Of all the Latin American countries, the Argentine is most like the United States in climate. Its great ranches raise wheat, corn, sheep, and cattle. We buy wheat and corn only in drought years. While we do not produce enough flaxseed, hides, or wool to meet all our requirements, American farmers object to lower tariffs on these products because they fear domestic prices will be depressed.

Practically all of the canned corned beef sold in this country comes from Argentina and Uruguay, but it pays a heavy duty. Our farmers and cattlemen fight any lowering of the tariffs even though, as a matter of fact, they cannot provide the equivalent of this imported product, which sells at prices so low as to open up a whole new market in this country.

"Sanitary" Barrier Resented

One serious obstacle to the negotiation of a trade pact with Buenos Aires is the United States sanitary convention which prohibits the importation of Argentine fresh meat because of the hoof and mouth disease, which is alleged to plague Argentine cattle. Actually, this is an artificial barrier but the Argentinians want it removed. The resentment over this matter played an important part in Argen-



Most of Argentina's trade moves through the harbor at Buenos Aires—which isn't going to have that boom in United States trade after all, now that negotiations for a reciprocal trade agreement between the United States and Argentina have fallen through.

tina's bargaining in the recent negotiations.

There were other factors which caused the Argentine to give Washington this slap in the face. One is the special trade accord with Britain, always Argentina's biggest market outlet. Another is the Argentine policy of trying to make exports balance imports. Year after year, until very recently, the Argentine bought far more in the United States than it was able to sell here. Finally, there is the pride of the Argentinian which makes him resent any deal which appears to give an advantage to the big neighbor in the north.

Washington entered the negotiations with Buenos Aires gingerly but sincerely. No suggestion was made that the United States negotiators had any idea of trying to remove the sanitary convention this year. Farm opposition to the whole deal precluded that.

A Limited Gain for Argentina

The best that Washington could offer now with a chance of acceptance at home was a lowering of the duty on such important items as linseed and canned meat, and this only if quotas were set on imports. These quotas were equal only to average imports in recent years, so the only gain to the Argentinians—except insofar as a pact, no matter how limited, might open the way to broader agreements—was an opportunity to get more money for what they sold in the U. S.

Because of the war, Argentina will probably be the immediate loser in the deal. The Allies may continue to be heavy purchasers of Argentine food products,

but it is doubtful if they can continue to fill Argentine demands for manufactured goods, particularly if the war is intensified this spring. The United States may become the only available source of supply. Meanwhile, Argentine farmers will lose even those modest concessions offered in the pact which has just been turned down.

Torpedoed Boats

Power Boat Association fires on Navy's contract for British-type mosquito craft.

WHILE FEAR of the United States Navy keeps them silent, American marine architects and small boat builders are smouldering over the award of a \$5,000,000 contract for British-type motor torpedo boats to Electric Boat Co.'s Elco plant, Bayonne, N. J. The award for the 23 "mosquito boats" was made without competitive bidding in the midst of a contest staged by the Navy Department to develop an American boat of this type.

There was much talk of protest at the New York Motor Boat Show this week. But builders and architects were said to shrink from open attack on the Navy, a big potential customer. Apparently they were leaving it to the American Power Boat Association to throw the rocks. This is an organization of some 220,000 small boat owners who aren't afraid of the Navy Department nor its new secretary, Mr. Edison. Their patriotic dander is up. And there is talk of demanding a Congressional investigation.

George W. Rappleyea, chairman of the legislative committee of the Power Boat Association, wired a protest to President Roosevelt and asked that the award be held up for 30 days to give American builders a chance. It is also reported that a New Jersey post of the American Legion protested to Secretary Edison. Apparently the Navy Department is standing pat on its contention that an "emergency" demands quick action and that consequently the British-type boat will have to do until an American boat can be developed and tested (BW—Dec 15 '39, p. 7).

Ready with Retorts

It does not soothe Elco's rivals to have the Navy Department point out that the award is legal under the terms of the Congressional resolution appropriating the necessary funds. They charge that the British navy naturally isn't releasing plans for its best boat and report that the Canadians rejected the design which Secretary Edison has accepted. As a matter of fact, it is said they are trying to induce an American boat builder to establish a plant on their side of the border in order to build new mosquito boats for Dominion defense.

The British-type boat which Elco will build is the design of Hubert Scott-Paine, remembered as the Englishman who took a terrific beating a few years ago when his boat-building prowess was pitted against Gar Wood's in the Harnsworth Trophy Race on Lake St. Clair. It is estimated that they will cost \$217,000 each. American builders claim they can make a better boat for \$50,000 less. They also ask, "How much of a commission is Mr. Hubert Scott-Paine going to get out of all this?"

Learned from Rum-Running

Attitude of the American builders is that this country has developed the small boat further than the English, that they have repeatedly beaten the English in races, that building fast rum-carriers during the noble experiment taught them how to make boats that could easily be adapted to torpedo carriers.

Most galling of all is the fact that the Elco award came while American builders were on the eve of testing boats built experimentally for the Navy Department. These are of four types—59 ft., 81 ft., 110 ft., 165 ft. long. Two of each are being constructed. They were to have been ready for tests Jan. 1. Some are said to have been held-up by non-delivery of motors. The new date set for completion of these experimental boats is Feb. 1.

Meanwhile Elco goes serenely ahead with its plans for the British boat. It figures that plant extensions will be finished in three months, leaving 10 months in which to complete the vessels. The work will necessitate tripling the present staff of 300 workers.

On the Other Side of the Bar



Frank Murphy faces cameras and questions over his appointment to the Supreme Court last week by President Roosevelt. The former Attorney General will take the place

left vacant by the death of Justice Pierce Butler, who was appointed in 1922 by President Harding. This brings the number of Roosevelt court appointees to five—a majority.

Wide World

Navy's "Emergency" Bill Founders

Sentiment against dictatorial powers is too strong for it, but officials insist provision for control over industry in crisis is essential.

WASHINGTON (Business Week Bureau) —The bubbling enthusiasm with which the Administration jumped into war-planning in early September backfired on Secretary of the Navy Edison this week. At the time when officialdom sprang to arms with stenographers, telephones, buzzers, and anything else that was handy, the Navy was ready. The seagoing lawyers wanted reenactment of a 1917 law giving the President authority during a national emergency to place compulsory orders for materials and if necessary, to commandeer plants.

The blaze started in Washington by Europe's war was quickly doused by a wave of anti-war sentiment from the country. The war itself didn't become the holocaust expected at the time of its outbreak but the Navy's recommendation reached Edison's desk, in due course, and was transmitted by him to Congress Nov. 12. Because no other business was transacted by Congress during the special session on the neutrality bill, Edison's communication lay on Speaker Bankhead's desk until the regular session convened Jan. 3.

With the unerring instinct that frequently disconcerts government officials, the press played the story in headlines that the "Navy Wants War Power for President" which competed with headlines that "Roosevelt Hopes to Keep Us at Peace" (New York Times, Jan. 4). What a how-de-do! Followed a conflagration of editorials against clothing the head of our democratic government in time of peace with any such dictatorial power.

The New Secretary Explains

The sadly discomfited Mr. Edison, with the glow of his formal appointment as Navy Secretary still on him, lamely explained that his request was a "routine overhauling of defense plans, so that if in 10 or 20 years we should happen to get into war there will be no confusion as a result of our failure to take these steps."

But in war time the President has the power described, under existing law. The Navy's object was to vest him with this power in peacetime albeit during a period of national emergency. In their search of old statutes, a younger generation of naval officers had unearthed the Naval Appropriation Act of March 4, 1917, which conferred this authority on the President "in time of war, or of national emergency arising prior to March 1, 1918."



"Just a routine overhauling of defense plans," was the way Charles Edison tried to quiet the commotion he caused last week when, freshly appointed Secretary of the Navy, he asked for reenactment of a 1917 law giving the President authority in a national emergency to place compulsory orders for materials, and even to commandeer plants if necessary.

This provision has been dropped entirely from the U.S. Code as temporary legislation. The naval officers rescued the President's wartime authority by pointing to the comma and the draft legislation submitted to Congress merely deletes the old date limiting its exercise during a national emergency.

The Navy's bill will not be pressed for passage this session. It's doubtful, after all the headlines it made, that it will ever again see the light of day in its present form. But don't dismiss entirely the prospect of legislation along this line this session. Naval officers charged with the duty of preparing defense plans frankly insist that it is essential. It is an interesting, perhaps significant, commentary on defense planning that the Judge Advocate General's Office of the Navy was not aware that Sec. 120 of the National Defense Act of 1916 confers substantially the same powers on the President "in time of war or when war is imminent." The National Defense Act is pointed specifically to meeting the Army's needs. And the Navy's attitude on that is, of course, that if the War Department has it, the Navy should.

The meaningful phrase "when war is imminent" in the National Defense Act

practically prohibits resort to that law in any situation short of war itself. What President could afford to risk such an admission until the very eve of battle? Yet both the Army and the Navy have good reason to feel that there should be some ultimate, absolute authority to support the carrying forward of their present armament programs.

Wants Protection from Stoppage

There's a pointed example in the case of the Bohn Aluminum and Brass Casting Co. of Detroit, which ordinarily produces most of the castings required in the manufacture of airplanes for the government. With planes waiting on the assembly line in other plants, the Bohn plant was struck by Local 208 of the United Automobile Workers, a C.I.O. union. A request by the Navy officers that they at least be permitted to go through the picket line and remove government-owned patterns, so that production could be carried on by other manufacturers, was refused by union officials.

What did the Navy do? Nothing. Somehow or other, the Army, whose plane program also was in danger of being held up, got from the plant the patterns and castings made prior to the strike, and avoided further trouble for both departments. How was it done? The Army is telling no secrets but this incident is persuasive evidence to the Navy that the government should have now some positive means of protection from stoppage of work on contracts involving national defense. The wisdom of the defense policy is another question.

President's Orders Come First

The Navy's bill provides that in time of war or of national emergency, orders placed by the President for ships and war materials shall be obligatory, taking precedence over all other work, and that plants which refuse or fail to give precedence to such orders or to supply the materials at reasonable prices may be commandeered. The President also would be empowered to modify or to cancel any existing contracts for ships or materials.

The bill contains no specific provisions concerning workers employed on such contracts but there is a clear implication, on the one hand, that employers will be expected to compose any differences with their employees, and on the other, that employees will remain on the job. Navy officials are confident that the mere existence of such a law would tend to mitigate recurrence of a situation like that at the Bohn plant. They do not recall that it ever became necessary to invoke this law in 1917-18.

Whatever the ultimate legislation on this subject, Chairman Carl Vinson, of the House Naval Affairs Committee, has stated his opinion of the Edison proposal in emphatic terms: "That bill's in the basket and it's going to stay there a long, long time."

Airlines Buy for a Big Year

Travel and safety records encourage major equipment program, swelling manufacturers' backlogs. Light, low-priced ships are going to a good market.

WITH BRILLIANT RECORDS for traffic and safety and a year of operating profits behind them, the scheduled airlines started the new year with steps toward a major re-equipment program to provide still greater speed and comfort for passengers. Negotiations are in the final stages for purchase of at least \$14,000,000 worth of production model Douglas DC-4s and \$5,000,000 worth of Lockheed Transports reliably rumored to be of the 4-engined Excalibur type.

Airlines involved are believed to be

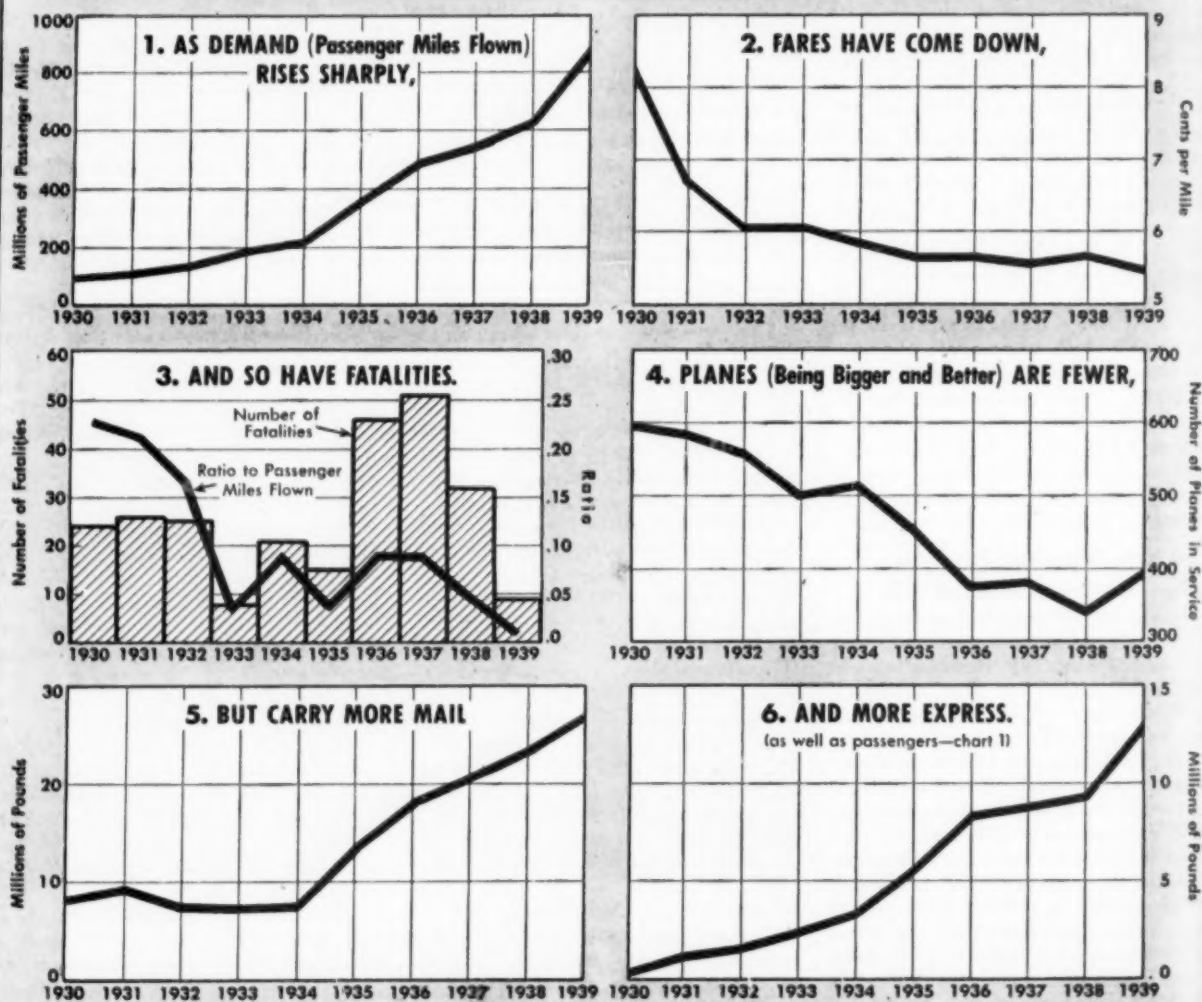
United, American, Pan American, Eastern, and K.L.M. (Royal Dutch Airlines). These contracts will bring the total backlog of orders for commercial transport airplanes well above \$40,000,000, about one-half of which go to the Douglas Aircraft Corp., swelling its total backlog to about \$85,000,000.

The 40-passenger Douglas DC-4 was designed to specifications set up several years ago by a committee of operators appointed to look ahead on the industry's equipment needs. The first ship was

placed in experimental service early in 1938 but its cost and size scared off the expected purchasers. Most of them felt that they could give better service and make more money by operating more frequent schedules with 21-passenger DC-3 equipment. But traffic jumped to 880,000,000 passenger-miles in 1939 (it was 635,000,000 in 1938) and quieted their fears about filling larger ships. Load factors had increased up to 65% or well into the gravy range and the operators wanted to keep them there.

Meanwhile, Douglas got busy and modified the \$500,000 DC-4 design to something a little smaller and a lot more economical to operate, with a price tag of \$340,000 in quantities. United Airlines responded immediately with an order for 10. While this was going on, TWA sought to get the jump by ordering five Boeing Stratoliners in the hope that they would be delivered before the DC-4 problem was settled. After the United order,

Commercial Aviation Grows—Spectacularly and Safely



"Unforeseen events . . . need not change and shape the course of man's affairs"



GETTING THE JUMP ON TROUBLE

At regular intervals, the bos'n inspects the ship's emergency equipment . . . checks life-boat gear, for example, for flaws that might cause a failure when this equipment is needed.

Aboard ship it's life-saving gear . . . in business it's *insurance*. And, as a new year begins, careful business men go over their own *emergency equipment* . . . their insurance coverage against unforeseen events. Changed conditions, new procedures, any of a dozen reasons can easily make

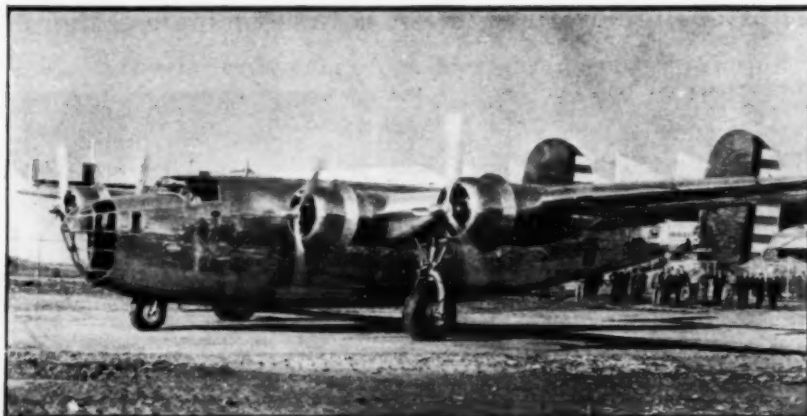
inadequate an insurance program that was satisfactory a year ago. More protection may be needed in certain spots . . . or, it might be, *less*.

Call in your Maryland agent or broker when you undertake this important overhaul. His advice will be helpful and sound, because he has had long training and experience in all phases of casualty and bonding coverage. For *real* protection, you need *regular* inspection. Get the jump on trouble! Maryland Casualty Company, Baltimore.

THE MARYLAND

The Maryland writes more than 60 forms of Casualty Insurance and Surety Bonds. Over 10,000 Maryland agents are equipped to help you obtain protection against unforeseen events in business, industry and the home.

Consolidated Aircraft Tests a Fast New Army Bomber



Wide World

This Consolidated Aircraft army bomber attained a speed of 325 miles an hour—near top speed for planes of its type—in its initial test flights at San Diego, Calif., recently. Consolidated, builder of navy amphibian

and patrol planes, has incorporated several new features in the four-engined, 5,000-h.p. land bomber—including a tricycle landing gear for greater safety, "perfect curve" wings for greater speed.

domestic competitors pricked up their ears and the buying rush was on. Along the sidelines were hard-bargaining Pan American and K.L.M., patiently waiting for the price to come down.

On the strength of these orders Douglas has started a production group of 40 ships through the factory at Santa Monica. The production DC-4 weighs 50,000 lb. gross (compared with 66,000 for the earlier model), has a cruising speed of 227 m.p.h. for 13-hour transcontinental service, and a pressure cabin supercharged for operation at 15,000 ft. or higher. Like its predecessor, it has a tricycle landing gear keeping it in level flight position on the ground. Early fears about getting these ships into existing hangars were dispelled by the decision to service and store them out-of-doors.

Safety Record Improved

The spectacular traffic gains of 1939 are in some part due to the greatly increased safety of air travel during that period. Statistically air travel was five times as safe in 1939 as in 1938. Last year's index of passenger-miles per passenger-fatality stood at 98,000,000 as compared with 20,000,000 in the previous year. All of the nine passenger fatalities of 1939 occurred during the first three months of the year. Now, for the first time in history, the airlines are talking about a safety record "better than that of the railroads." Improvements and extension of federal airway and radio facilities, improved operating practices and maintenance methods, and inclusion of a number of new safety devices have been contributing factors.

For the year, profits rewarded all but two of the 17 domestic lines. Although

the black ink figures were small, aggregating less than \$1,000,000, this figure compares with annual losses of \$2,000,000 for several previous years.

Important gains were also recorded in non-scheduled commercial aircraft operation during 1939. About 5,000,000 passengers were carried in all types of operations, according to the figures of the Civil Aeronautics Authority. Miscellaneous flying has been greatly stimulated by the government's civilian training program for instructing 10,000-20,000 pilots annually for the next five years and by the increased sales of light, low-priced airplanes. Production of airplanes in the price class under \$2,000 doubled in 1939 and their manufacturers ended the year, for the first time, with substantial backlogs. Most of the sales were made on a time-payment basis of one-third down and the balance financed over 12-18 months at a rate of 20%-22% including insurance.

Distribution of these planes is patterned after that of the automobile industry with territories assigned on a geographical basis and dealers selected by the distributors. These distributors and dealers are chiefly fixed-base operators who conduct miscellaneous flying activities at airports and derive a substantial part of their income from instruction. Their business has been greatly enhanced by the civilian training program. Payment to the operators of \$295 per student for 35-50 hours of instruction limits the equipment to the economical light planes and there is a requirement that a ship of at least 50 h.p. must be provided for every ten students. This looks like the nucleus of a large light-plane market.

Ailing Refiners Aided

Midcontinent independents gain by new freight reductions, which are a blow to truckers.

IN RECENT YEARS the Midcontinent oil refiners have taken a beating. Much of their northern and central marketing area has been invaded by Illinois refiners benefiting from lower short-haul freight rates. Major competitors with pipe lines or water shipping facilities have, in numerous instances, whipped once prosperous independents, forced others to the point where folding up seemed inevitable.

First aid for the beleaguered independents came last month from the Interstate Commerce Commission. By Feb. 1, freight reductions of about 35% on petroleum products will be effective to virtually every consumer center in the middle western, central, and southern states. Last week, new low rates to Colorado were authorized.

These reductions—good news to every independent refinery in Kansas, Oklahoma, and northern Texas—are bad news to the truckers. The railroads already are reporting sharply increased tonnage in gasoline to points where new rates are now effective. In some cases, truckers are meeting the low rates despite evidence submitted to the ICC to show that the new schedules were confiscatory.

Truckers Submit Their Case

Some oil men point out that the truckers will retain a good share of the traffic at higher rates because many bulk plants have been located away from rail trackage. In Kansas, where highway carriers are asking the state corporation commission to suspend a 35% reduction on intrastate petroleum products freight rates (*BW—Sep 27 '39, p. 20*), the truckers have produced figures purporting to show:

- (1) That the new rates would drive hundreds of tank trucks off the highways.
- (2) That truckers made "only 5% profit under the old rates."
- (3) That the railroads' own previous evidence showed they could not make money on the petroleum traffic at the new revenue level.

A railroad spokesman has informed the commission that the roads already are doing very nicely under the new rates. Truckers were granted an additional 30 days last week to bolster their case.

In Oklahoma last September, the corporation commission feared that a 35% intrastate reduction would be too hard on the truckers, compromised by allowing only 25%. This pleased nobody. Kansas truckers were able to deliver Kansas gasoline into Oklahoma at a lower figure than intrastate rates permitted, thus causing a loud squawk from Oklahoma refiners, truckers, and railroads. Last month the Oklahoma commission proceeded to correct the situation.

Railroads Show a Profit Again

Last year's net income may provide all the push that is needed to lift insolvent carriers out of bankruptcy. Burst of agitation for reorganizations foreseen.

RAILROAD MEN will long remember 1939. The sudden uprush in traffic this fall (probably the most abrupt in history) skyrocketed carloadings to the highest figure in nine years, put carriers to the severest test in meeting traffic demands since the freight-car shortage of 1923, and sent many roads scurrying to the market for new equipment (*BW—Sept 30'39, p16*). But it left something else in its wake—a net income on balance for the year. And an annual net income is a tid-bit that the railroads haven't tasted since 1937.

Present estimates place net income last year for the nation's Class 1 carriers in the neighborhood of \$95,000,000 (the exact figure won't be known until the end of next month). This would compare with a \$98,000,000 net income for 1937 and a \$123,000,000 net loss for 1938. And while

a \$95,000,000 profit is distinctly encouraging to solvent roads, it is doubly significant to the insolvent carriers—to those which have been wallowing in bankruptcy for the last two to six years. It may be the push needed to lift them out of bankruptcy.

If the improvement in earnings continues throughout 1940 (and equals 1939's record), there is sure to be a burst of agitation for completion of reorganizations. The most impressive sign of this is that the 1939 record shows what an individual carrier can do in a fairly good year—at a time when competing forms of transportation are well developed.

Can Hope for Full Sway Now

This agitation should come from many sources. Rail trustees, for one, tired of having to get court permission every

time they want to buy a postage stamp, now have the wherewithal to finance reorganization.

Bondholder groups, for another, lean and gaunt after many years of receiving no interest on their investments, will now press for reorganization, so that in time they may again receive something on their money. Of course, the stockholders will also chime in and ask for a divvy and may try to gum up the works. But for the majority of stockholders, the outlook is none too happy. In case after case, the Interstate Commerce Commission and the courts have counted them out of rail reorganizations (after evaluations showed that neither assets nor prospective earning power could be stretched to cover them).

Meanwhile, a number of other roads are inching forward in the tedious and involved Rail Reorganization Handicap (see table below). And they are coming along not because earnings are improving but because the senior security holders are not as tough today as they were when the roads first went broke. Today, they are willing to accept when-as-and-if income obligations in exchange for their former fixed income investments.

This is illustrated in the reorganization of the Chicago & Eastern Illinois

RAIL REORGANIZATION HANDICAP

NAME OF ROAD	ENTERS SEC. 77	FILES PLAN	SEEKS ICC OK		SEEKS COURT APPROVAL	SEEKS SECURITY HOLDERS ASSENTS	EMERGES
			FINANCE DIVISION	FULL COMMISSION			
Central of New Jersey	1939						
Chicago & E. I.	1933						
Chicago Great Western	1935						
Chicago, Milwaukee	1935						
Chicago & North Western	1935						
Cotton Belt	1933						
Denver & Rio Grande	1935						
Erie	1938						
Frisco Lines	1933						
Missouri Pacific	1933						
Monon	1933						
New Haven	1935						
N. Y., Ontario & Western	1937						
Rock Island	1933						
Soo Line	1937						
Western Pacific	1935						

Railway (BW—Dec 9 '39, p. 58)—the first Class 1 carrier to emerge from Section 77—under which holders of the general mortgage bonds must be content to exchange them half for income bonds and half for new preferred and common.

ICC's Plan for North Western

Recently, the ICC issued a final plan for the reorganization of the Chicago & North Western. And it typifies the treatment bankrupt roads receive at the hands of the ICC. No road has ever had its reorganization stymied for lack of plans. But once these plans reach the ICC, they are frequently discarded in favor of one of the ICC's own creation. This is what happened in North Western's case.

The ICC's final plan for the North Western followed for the most part the recommendations of one of its commissioners made nine months ago, squeezed \$98,000,000 out of its capitalization, reduced fixed interest charges 80% (to \$3,382,079 against \$16,549,740 last year), and "reluctantly" found that the stockholders have no equity in the reorganization. The next step is for the ICC to recommend its plan to the court. If the court approves, the affected security-holders must be asked to assent, and then the North Western would be back in the running, a solvent carrier.

Today, there are 24 Class 1 carriers operating in trusteeship under Section 77 of the bankruptcy act. (They are not operating under Section 77B as many commonly suppose; 77B is reserved for industrial corporations.) In addition, there are 12 carriers operating in equity receivership. Out of the 24 trusteeships, four appear to have a good chance of emerging within a year.

First to Come Through

The Chicago & Eastern Illinois has merely to go through some legal routine, and it will be the first to emerge. Right behind it is the Chicago Great Western, whose plan its security-holders are now voting upon. Neck and neck are the Chicago & North Western, and the Denver & Rio Grande, each of which has had final ICC plans approved.

In addition, there are two other carriers coming along. The Erie recently offered to the ICC a modified plan of reorganization—backed by the management, the institutional investors, and the C. & O. (the majority stockholder)—which corresponds more closely to an ICC examiner's proposal than did a former plan. If between the two proposals a satisfactory agreement can be reached, the Erie will take a big step toward solvency. ICC's final report on the New Haven reorganization is now awaited.

Moreover, three receivership roads—the Norfolk & Southern, the Minneapolis & St. Louis, and the Mobile & Ohio—should be out relatively soon, with the latter merging with the Gulf, Mobile & Northern—a minor feat in itself.



Prosperity note—a 30% increase in Florida building in 1939.

Florida's Sun Brighter This Year

State shies at word "boom," but tourist crop is heaviest on record, and other indexes, such as building, point to prosperity despite citrus setback.

IT'S A SHUSH-H-H, shush-h-h subject down there, even with the Chamber of Commerce boys, but something approaching another Florida boom apparently is under way. Floridians don't like the word "boom." It describes a wild party back in 1923-26, followed by a years-long hang-over. That may be why publicists who extol the virtues of the land where summer spends the winter still assiduously specialize in bathing girls and skimp on colder figures.

Even through dark sun glasses, Florida's indexes are rosy-hued: Heaviest

tourist crop on record, with the yield per sunhunter definitely up; state unemployment benefits 32.8% down since the season's opening; building up 30% in 1939 over 1938 (national average, 22%) and the state's 1938 performance was nationally top flight.

Tax Money Hits Peak

Florida's tax collections are at a record peak (the state took \$24,000,000 from motorists in 1939 with its seven-cents-a-gallon gasoline tax); Florida municipals and special tax district bonds have



Prosperity note—increased activity in Florida's sugar bowl.

What Tourist Trade Means to Florida

BIGGEST of Florida's industries is the tourist business. This year the state's permanent population of 1,600,000 will be increased by considerably more than 1,000,000 tourists.

The state's Hotel Commission says that the season's influx will yield \$690,000,000. Fixing the season arbitrarily at 150 days, the commission figures that a daily yield of \$4,600,000 will be divided as follows:

For food	\$1,288,000
Amusement	1,196,000
Lodging	920,000
Travel	828,000
Miscellaneous	368,000

climbed to an eight-year high. Retail sales ran close to 20% ahead of 1938 in the closing months of the old year; customs collections are one third greater; and there are more two-piece bathing suits, thanks to strict beach policing, than since the Floradora days.

There is no question that Europe's ill wind blew Florida's resort areas much trade. But the tourist centers were practically filled last winter. The big difference now is that the sunhunters came earlier—and are expected to stay longer. That helps largely in bringing the soaring winter upcurve and the sagging summer decline into better relationship—a certain but not-so-simple Florida formula for year around prosperity.

Playgrounds Pile Up Construction

In surveying the tourist business, it is revealing to explore the playgrounds of Miami and Miami Beach as samples of what's happening in the state's most important industry.

In 1939, Miami Beach added 47 hotels, 69 apartment houses, 265 residences, and \$2,293,292 worth of business buildings—a total of \$11,406,914 in construction. The rest of Greater Miami showed \$20,445,215 in building, for a total area gain of more than \$10,000,000 in 1939, an increase of 47%. The new city directory will reveal a year around population of less than 250,000, indicating a per capita construction program of somewhat better than \$130 for the last year.

Miami Beach, whose normal population is about 20,000, is reported to have added around \$76,000,000 worth of new buildings since 1930, with caterers to tourist trade asking anxiously each year if the saturation point in winter business has been reached. The answer this year still is "No."

Hotel reservations at Miami Beach are from six to eight weeks ahead of last year, and 25% greater in volume. And what is true of the tourist influx in the

**He's helpful — and
he lives next door**



In your neighborhood there's a man who's friendly, capable and always available. He's your local Standard agent or broker.

Call on him to make a survey of the hazards that menace your security. You'll find him ready to help you choose correct insurance coverage for home, business, property and person, against loss due to robbery; forgery; automobile accidents; embezzlements; injuries to self, employees or public; and similar hazards —and eager to help you out of trouble when misfortune befalls.

Standard of Detroit writes all types of Fidelity and Surety Bonds — virtually every form of Casualty Insurance.

STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884

Put IRON FIREMAN into your 1940 budget



What other investment can earn so much?

Step up your net earnings, reduce operating costs, improve production—by modernizing your plant with Iron Fireman automatic coal firing. Almost no other investment can earn so great a return.

These users earn 39% to 87%

For instance, *Bousier Pump*, Fort Wayne, Ind., is earning a 76% return on its Iron Fireman investment. *Massengill Laboratories*, Bristol, Tenn.-Va., is receiving a 39% annual return; and its 12 Iron Fireman stokers have given 50 years' combined service at a total service cost of only \$29.20. *Patterson Mills*, Roanoke Rapids, N. C., is collecting annual cash savings amounting to 87% of its three Iron Fireman Powerams, with costs per 1000 pounds of steam cut from 35 cents to 20.8 cents.

FREE... an Iron Fireman engineering survey

We cannot promise you such tremendous savings—unless your situation offers similar opportunities for improvement. But if you will authorize us to make a survey of your steam costs at our own expense, we will give you a conservative report showing what Iron Fireman can do. We will work in cooperation with your own engineer, consulting engineer, or fireman. The survey report can be incorporated, if you wish, in your 1940 budget recommendations. Send the coupon, and we will do the rest.

IRON FIREMAN Automatic Coal Stokers



IRON FIREMAN MFG. CO.
Portland, Oregon; Cleveland; Toronto

Mail to 3361 West 106th Street, Cleveland, Ohio.

☐ See us about making an Iron Fireman Engineering Survey of our steam costs.

Send ☐ Industrial Power Catalog.
☐ Commercial Heating Catalog.

Name _____

Address _____

Miami area applies, in somewhat lesser degree, elsewhere in Florida.

For a community of shifting population, Miami Beach uses another seasonal trade index—its garbage tonnage chart. In 1939's final week it was 35% above the same period in 1938. At the present rate of increase, the Beach will see a plus 40% gain in tourists this season.

Florida's immediate prosperity is distinctly seasonal, but it stemmed from excellent summer business. Gains in retail sales for July, August, September, and November were close to the best in the nation. Tax collections, reflecting a firmer real estate market, were generally some 25% above last year—before the advent of the tourist, and best since the mid-1920's when the real estate boom was in full blast.

Helping Cane Sugar Growers

Florida's second major crop is not paying off so well. Citrus was high in volume, low in price. The government's \$400,000 purchase of fruit for the poor on Christmas was but a drop in a partly empty bucket. Florida's sugar bowl, by contrast, is promised sweetening by a growers' cooperative plan to build a \$15,000,000 sugar mill.

Some 30,000 more acres of cane would be planted in this Everglades area which the Department of Agriculture recently indicated had demonstrated ability to produce sugar cheaper than any domestic, and most offshore, areas. Threatened restoration of domestic quota restrictions may influence postponement of the cooperative planting and grinding, the United States Sugar Corporation has announced.

The state's Agricultural Department estimates that Florida's farm income is \$150,000,000 annually. The state produces \$200,000,000 in manufactured products and \$50,000,000 in naval stores, lumber, and pulp wood.

Housing, Aqueduct, Harbor Plans

At Fernandina, near Jacksonville, an \$8,000,000 mill to make rayon from pine, nears completion. Miami has just opened its second \$1,000,000 low cost housing project; Tampa is starting a third, to cost \$1,112,000; and West Palm Beach is investing \$440,000 in low cost housing. Key West, where a New Deal city sewage installation has long awaited mainland water for its mains, is about to get financing for an aqueduct. Miami awaits a promised Washington nod for an \$8,000,000 harbor expansion.

A comparatively new, but important, vital statistic in Florida's transient population splurge is the state's 90-day divorce law. Miami, particularly, competes with Reno for this brief-term resident trade. The short cut was legalized in 1935 and each year has seen a speeding up of divorce mills. In the Miami area alone, divorce decrees were 30% greater in 1939 than in 1938, with 3,335 divorces asked, 3,130 granted.

Coast Fair Organizes

1940 run to emphasize Pan-American unity. 80% of '39 participants ready to sign for space.

SAN FRANCISCO saw some much-needed action this week on the 1940 run of the Golden Gate International Exposition as the new management settled down in the Administration Building on Treasure Island to form an organization.

The new president, Marshall Dill (replacing Leland W. Cutler, 1939 chief) and W. W. Monahan, general manager (replacing Dr. Clarence H. Strub) tackled the job of selling space, rehabilitating the plant, signing up foreign and state participants, arranging for a few shows of the calibre of the New York Fair's aquacade, and selecting a promotion manager.

Because the exposition this year will be built around the theme of Pan-American unity, ten San Francisco business



To boost the 1940 San Francisco fair and develop trade contacts, these 10 western business and professional men took off Jan. 5 for a tour of Mexico, Central America, South America, and the West Indies, under auspices of the San Francisco Chamber of Commerce. Left to right, in the foreground, D. J. Dalton, American Trust Co., San Francisco; W. L. Montgomery, head of the foreign trade department of the San Francisco Chamber of Commerce; Jean C. Witter, partner in Dean Witter & Co., West Coast investment bankers. On the gang plank, left to right, O. C. Hansen, managing director of Frazer & Co., Ltd., western foreign trade firm; Dr. D. J. Aubertine, San Francisco, authority on Latin American trade; Dr. H. C. Carson, representing the redwood lumber industry of California; John Thompson, representing the City of San Francisco; and D. J. Will, who is vice-president of the Stuart Oxygen Co.

men took off by air last week for a tour of Mexico, Central America, South America, and the West Indies to stir up interest and persuade as many nations as possible to participate.

With only four and one-half months until the show opens May 25, the exhibits department—getting up steam this week to sell space—was cheered by the fact that firms occupying 80% of the 1939 space say they're ready to sign for 1940. The job is made easier, also, because one of the exhibit buildings is to be transformed into an auditorium either for an ice show or a water spectacle. Rental rates are likely to be below the 1939 level because the exposition runs only four months this year instead of eight (May 25-Sept. 20). Space salesmen will emphasize, however, that the bulk of 1939 attendance was in June, July, August, and September and that the 1940 fair is concentrating on these peak months.

Taught by 1939's Experience

Strategy of the May 25 opening is to enable executives of exhibiting firms to show up on Treasure Island after they've helped launch the New York show May 11. After watching public reactions to their eastern exhibits, executives may have suggestions for improving their West Coast displays. Most exhibitors, however, will base their 1940 shows on the triumphs and failures of 1939 (BW—Nov. 25 '39, p. 32).

While emphasis this year will be placed on pleasure rather than culture, Treasure Island won't degenerate into a gigantic honky-tonk affair like many second-year expositions. The city's dominant business groups gained firm control in election of Marshall Dill as president and W. W. Monahan as general manager. Dill is head of the San Francisco Chamber of Commerce as well as a leading Pacific Coast foreign trader. Bill Monahan, former football star, is general manager of the chamber. He ruled the exhibits and concessions departments of the 1939 fair with title of "co-ordinator."

FSCC Experiment

Extension of stamp plan to non-relievers in Shawnee, Okla., fails to show startling results.

THE COUNTRY'S only experiment in extending the Federal Surplus Commodities Corporation's food stamp plan to non-relief families has failed to show startling results in two months of operation. The test, being made at Shawnee, Okla., permits families with incomes of less than \$1,000 a year (or \$19.50 a week) to obtain the stamps.

Shawnee has 25,000 population, about 6,000 families. Best estimates are that about 2,000 of these families have incomes entitling them to participation in

the non-relief stamp plan. Up to Dec. 31, only about one-fourth of these had applied.

Reluctance of non-relievers to sign up is attributed chiefly to the feeling that use of the stamps is tantamount to being on relief.

In November, the first full month of the non-relief plan, 245 families (837 individuals) participated. They bought \$3,538 worth of orange food stamps and were issued \$1,769 worth of the free blue stamps, to be used in the purchase of specified surplus food commodities. They are given one 25-cent blue stamp for each two 25-cent orange stamps they buy, as in other phases of the food stamp plan.

More Families Try Idea

In December, with 27 more participating families (879 individuals all told), the non-relievers bought \$4,064 worth of orange stamps and received \$2,032 worth of blue stamps. Adding \$484 worth of orange stamps and \$242 worth of blue issued in the last week in October when the program was inaugurated (BW—Oct. 28 '39, p. 15), the results up to January 1 are: \$8,086 orange food stamps purchased; \$4,043 blue stamps distributed.

The actual number of participants is not a fair measure of the program, since there have been nearly double that number of applicants.

Applications still are coming in. Twenty-two new applications were filed January 3 and 4, the biggest 48-hour period since the first week. Most common reasons given by recent applicants are: supply of canned garden produce running low; cold weather increasing the expense of heat, clothing, medical care; the inclusion of meat on the new surplus commodities list, issued December 14.

They Like Some Variety

Non-relief families are somewhat particular about what foods are on the surplus list. Fourteen per cent of those certified to participate haven't called for their stamps. The longer and more varied surplus food list for the last half of December was undoubtedly one influence in increasing the average blue stamp distribution from \$2.11 per person for November to \$2.31 for December. During December, 24% of the participating families bought more than the required minimum, compared to only 20% during November.

FSCC officials have not yet attempted to draw conclusions or set up definite policies for or against expansion of this part of the food stamp program. For the business men of Shawnee, it has meant an additional \$4,043 of sales in a program responsible for \$110,209 in additional food sales for the town since the middle of August.

The Shawnee Chamber of Commerce has given enthusiastic support to the non-relief stamp plan, and has been active in accepting applications.

PAINT

"Shakespeare was right: names never quite, change black to white"...



...thus runs an old lyric from an old song by George M. Cohan. But no one has ever objected to an appropriate name; most companies strive mightily in executive session, advertising conference or survey, to get the right name for a new product. A good name, a proud name and an explicit name is *Iron Fireman*, name of the home servant that feeds coal into your furnaces economically, automatically, dependably.

It's tough, gruelling work for the *Iron Fireman*. For Mr. and Mrs. America, however, it's luxury and it's cleanliness. And, not least, it's a beautiful mechanical unit dressed to the perfection that is necessary in today's basement. And that means a Sherwin-Williams suit of clothes—in this case S-W Kem Air Dry Enamel.

Kem Air Dry Enamel is a colorful, quick-drying finish with good adhesion, toughness and durability. Ten years ago, the *Iron Firemen* started wearing this finish because Sherwin-Williams engineers were able to help *Iron Firemen* engineers with a faster drying finish that could take care of the increased production of *Iron Firemen* without increasing the drying facilities used prior to that time. In the ten years that thousands of *Iron Firemen* have been finished in "Iron Fireman blue" Kem Air Dry Enamel, the adhesion, toughness and durability have all been constantly changed in one direction—in the direction of improvement. For any S-W finish, good as it is at the outset, is always being studied, constantly being bettered, as research into methods and material advance.

Does your product need a new suit of clothes—a sparkling S-W finish that will enhance its appearance and by so doing, enhance your record of sales? Few companies can afford to overlook the importance of their products' dress in today's markets. And Sherwin-Williams, in its manufacturing, research and design divisions, has studied this problem to perhaps an unparalleled degree. We would like to work with you, and for you. Write to the Sherwin-Williams Company, Cleveland, Ohio. No obligation.

**SHERWIN-
WILLIAMS
PAINTS**



Production-for-Use in Los Angeles



California's much-discussed production-for-use plan, sponsored by Gov. Culbert L. Olson, got under way in Los Angeles last week when the first "Co-operating Consumers' Outlet" opened for business. Unemployed persons from rolls of the State Relief Administration serve as clerks in the store, and only relief clients may purchase goods—50% of which come from existing production cooperatives, set up by

the S.R.A. (BW—Dec 9 '39, p. 30). Items sold include fresh meats, fruits and vegetables, milk, butter, eggs, and canned goods. Customers are given a purchase record book which entitles them to buy merchandise for cash. The store clerk enters each transaction in the customer's book. Periodically, profits (if there are any) will be apportioned among customers on the basis of their purchases.

MARKETING

ADVERTISING • MERCHANDISING • SELLING

Define Drug Warnings

FDA tells what the labels must say, but there will be no crackdown for six months.

THOUGH THE Food and Drug Administration won't say so, it's clear that no immediate push is planned against products which may violate the labeling provisions of the Food, Drug and Cosmetic Act which became effective Jan. 1. Principal reason: The Lea time-extension act gives "old" labels certain exemptions until July 1. "Old" labels are ones that were manufactured before Feb. 1, 1939. The administrative difficulty of separating old labels from new practically results in a blanket extension of the law's misbranding provisions until July 1.

The FDA's leniency will not, of course, be extended to labels that are false and misleading. Since June 23, 1938, when most of the other-than-labeling provisions of the act went into effect, the FDA has been able to crack down on products potentially harmful to the customer. To comply with these requirements, 92.6% of all drug products, according to a sur-

vey by *Drug Trade News*, have already undergone label revision.

Perhaps the biggest labeling worry of most drug manufacturers was partially cleared up last week when W. G. Campbell, chief of the FDA, gave the first inkling of the Administration's views on the label warnings for drugs in a memorandum to district and station chiefs. The memo covers 28 major drugs.

Previous refusal to discuss adequate warnings was based on the fact that the law, during its pendency in Congress, at one time permitted FDA to prescribe adequate warnings by regulation. At the insistence of certain segments of the drug industry, notably the proprietary branch, this was eliminated from the law, thus placing the responsibility for choosing an adequate warning directly on the shoulders of the manufacturer.

A large part of the so-called ethical branch of the industry (non-proprietary), represented by the American Pharmaceutical Manufacturers Association, would have preferred to play it safe and have the FDA prescribe the warnings. Most of the ethical people, of course, do not have to worry so much about the

warnings that appear on their labels for they sell primarily to druggists for filling prescriptions. The proprietary group, on the other hand, felt otherwise because label warnings might vitally affect the sales of their packaged medicines to consumers.

The drive on the part of the ethical manufacturers to get some Administration expression on warnings started soon after the law was passed, when manufacturers realized what they were up against. Last spring, a combined committee of the American Pharmaceutical Manufacturers Association and the American Drug Manufacturers Association drew up a series of warnings for eight drugs. Until last week, the FDA declined to comment on warnings on the theory that the law prevented the Administration from prescribing.

Times Its Stroke

Washington observers think the FDA never intended to leave industry completely in the dark on the subject, but that the actual publication of the warnings was a matter of strategic timing. The bureau waited until pressure from industry for warnings was so great that the relief at receiving them would drown out any adverse criticism.

The FDA's list of adequate warnings covers 28 major drugs. As a sample, here's what represents adequacy for castor oil:

"Warning: Not to be used when abdominal pain (stomach-ache, cramps, colic), nausea, vomiting (stomach sickness) or other symptoms of appendicitis are present.

"Frequent or continued use of this preparation may result in dependence on laxatives.

"Do not use during pregnancy except on competent advice."

Liquor Barriers Hit

Conferees agree that states should ease restrictions imposed on outside manufacturers.

BECAUSE THE CONSTITUTION specifically forbids the states to interfere with commerce among themselves, most interstate trade barriers wear false whiskers. They masquerade behind the powers of the states to tax, police, and regulate in the interest of public safety and morals.

But one class of trade—beer, wine, and liquor traffic—can count on no help from the courts. The Twenty-First Amendment left the door wide open for state control. A legislature's ability to meddle with the liquor trade is limited only by its ingenuity.

Perhaps because the liquor trade can expect no Constitutional freedom, it has become the focal point of the now-fashionable campaign to "de-Balkanize" the United States. Last week, the Council of State Governments and the New York Joint Legislative Committee on Interstate Cooperation sponsored a conference

on liquor control at Buffalo, N. Y., which promises to achieve this objective.

Originally scheduled as a seven-state conference—with representatives invited from New York, Pennsylvania, New Jersey, Ohio, Michigan, Indiana, and Illinois—the conference expanded when official representatives showed up from Wisconsin and unofficial ones from several other states. The 60-odd conferees were the men who count—state legislators and liquor control administrators or their assistants. Representatives from the various liquor trade associations were on hand to present the viewpoint of the industry.

For Industry's Liberation

After two days of discussion—some of it verging on battling—the conference adopted a set of resolutions that, sold to the folks back home, could go far toward liberating the liquor industry in the eight states directly involved and would set an example in the other 40. Most important of the resolutions was the one calling for the repeal or defeat of any law or regulation which (1) imposes upon an out-of-state manufacturer or shipper any license fee, other than a nominal registration fee not to exceed \$100, not imposed on domestic manufacturers; (2) imposes a higher excise tax on malt or alcoholic beverages produced outside the state than is imposed on similar products produced within the state; (3) which imposes any restrictions with respect to methods of manufacturing, packaging, transporting, merchandising, or other handling on out-of-state liquor products which are not required for domestic products.

Council Gets Action

All of the eight states represented at the conference have statutes or regulations which would be repealed if this resolution were followed. Nobody expects the barriers to go all at once, but conferences that are called by the Council of State Governments have a record for getting action.

The Council brought about the first turn in the tide of state-against-state by smoothing out the row that Indiana started by enacting a law discriminating against out-of-state liquor (*BW—Jan 1'38,p39*). Michigan retaliated by levying a special tax on Indiana beer, and, at the same time, put a tax on California wine. Missouri jumped in with a get-even law of its own, and California began to talk retaliation against Indiana and Michigan.

A year ago, when the Supreme Court ruled that the Twenty-First Amendment made the retaliatory liquor laws valid (*BW—Jan 14'39,p23*), the Council got the warring states' liquor commissioners to sit down in a Chicago conference and talk it over. The result was that California held up its proposed law, Indiana and Missouri repealed theirs, and Michigan is working toward repeal.

Beauty tames the beast

(of business detail)



Does work stick on your desk like fly-paper? Do details buzz, buzz around your head? Turn all your troubles over to this handsome new desk Ediphone. Compact as a box of cigars...and completely enclosed!



...on your desk...or at your desk

It's fun to see how this "business valet" sweeps everything off your desk. Notes, letters, memoranda, reports and instructions don't pile up. Just talk your work away... that's Ediphone Voice Writing.

Choose from two newly designed Ediphones—the "streamlined" cabinet type that takes up only a square foot of floor-space, or the 8 1/2 x 11" Ediphone for your desk. Try one yourself. No strings attached. Write Dept. B1, Thomas A. Edison, Inc., West Orange, N. J. In Canada, Thomas A. Edison of Canada, Ltd., 610 Bay Street, Toronto.

SAY IT TO THE

Ediphone
EDISON VOICEWRITER

New Chicago Milk War

Price-cutting breaks out on eve of deliveries at 9½¢ a qt. in gallon glass jars.

CHICAGO has another milk price war on its hands, despite Secretary Wallace's federal marketing order (BW—Sep2'39, p29). At first the uniform, higher prices to farmers seemed likely to do away with price-cutting by distributors. Some of the major cutters, like Meadowmoor, distributing only through stores, got religion; only the dairies selling at rural depots kept prices below the city scale.

But happy days did not arrive as scheduled. When federal control took effect, the old-line companies boosted door milk to 13¢, store milk to 10½¢ (BW—Oct21'39, p28). This whetted consumer desire for cut prices. Business boomed at the country stores, chiefly at the expense of the wagon routes.

Then came trouble from another quarter. Chicago's union milk-wagon drivers—highest paid in the United States—get \$48 a week plus ⅓¢ commission on all above 1,333 points. A point is a quart or the equivalent. Officers of the drivers' union, alarmed as customers flocked to the stores for their milk, vainly urged their members to vote a wage cut to permit lower delivered prices. Finally, before the new year, the drivers kicked out their officers, and voted in a new set committed to "No wage cuts."

For Sales and Savings

It costs a dairy 6½¢ to deliver a quart bottle of milk from the platform to a doorstep, around half as much to a store.

Having lost their chance of reducing delivery wage costs, the companies had to do something to regain sales. In a few suburbs they had been trying 1-gal. units at lower per-quart prices. Sales and savings had been bigger than expected. So

nine of the distributors announced, for Jan. 5, doorstep delivery in large containers at lower prices.

Unlike the throw-away 2-qt. paper container recently introduced in New York, the Chicago containers are glass and require bottle deposits. A single quart delivered remains at 13¢, but a 2-qt. bottle is delivered for 22¢, a gallon for 38¢. The new packages are offered only in three middling-prosperous neighborhoods adjoining the city limits, where cut-price stations cluster, but sale throughout the city is expected as soon as the companies can get the glass and the bottling equipment.

Hit by a Little Non-Conformism

Gallon orders especially were piling up, and everything looked good for Bowman, Borden, and their fellow distributors; not so good for non-conformists who sell only through stores. Then, on the day before the first 9½¢ milk was to be delivered in gallon jars, non-union Meadowmoor suddenly announced store milk at 8½¢—in single quarts, "for sanitary reasons."

The big grocery chains, too labor-sensitive to carry non-union milk, had been paying 9½¢ to the old-line dairies, reselling at 2 for 21¢. They yelled for help. Their suppliers came through with milk wholesale at 7½¢ to retail at 8½¢. A. & P., National Tea, and Jewel all advertised 8½¢ milk on Jan. 5.

Dairy owners are pessimistic because the new low prices pull them below any possibility of breaking even. Dairy farmers are currently happy because they will sell more of their production at high fluid-milk prices, less at low surplus-milk prices, but they are worrying for the long term because a protracted price war must eventually cut into their scale.

It is the milk wagon drivers who are really chuckling. Under their wage contract, a 38¢ gallon counts just as many ⅓¢ commission points as do four 13¢ quarts.



New York milk distributors successfully effected a price cut recently by introducing a two-quart paper container. Now Chicago distributors have gone them one better, with the introduction of both two-quart and one-gallon glass jars.

Did Nov. 23 Pay?

Figures fail to prove that early Thanksgiving was major factor in Christmas sales.

RETAILERS MAY BE WILLING to go off the double Thanksgiving standard this year if the National Retail Dry Goods Association's preliminary report, released this week, proves to be a correct estimate of the effect that the stepped-up holiday had on Christmas sales.

States celebrating the early Thanksgiving designated by President Roosevelt in response to the demand of retailers did not show a uniformly higher increase than those which stuck to the traditional last Thursday in November.

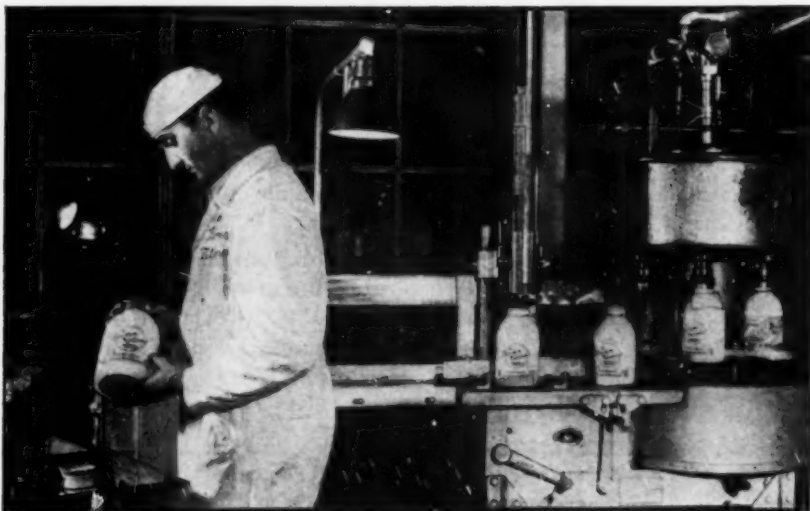
Of all Federal Reserve Districts, Cleveland showed up best with a 12% increase in retail sales, and, with the exception of part of Kentucky, that district ate turkey with the President on Nov. 23. On the other hand, the San Francisco District, most of which also followed Roosevelt, showed a meager 3% gain.

Little Profit for New England

Defenders of the early Thanksgiving find encouragement in the experience of New England, where the orthodox date was fervidly adhered to, and where a bare 2% gain was chalked up. Altogether, the variation in percentages seems to show that other factors were more important than the Thanksgiving choice in determining retail sales.

Figures from the 12 Federal Reserve Districts indicate that sales for the four weeks ending Dec. 23 showed a 5% gain over the same period in 1938, while retail sales for all of last year ended up about 6% ahead of '38—which means that the expected Christmas boom failed to materialize (BW—Nov18'39, p18).

Officially, the N.R.D.G.A. concludes that localities which celebrated the early date showed greater increases over the previous year for the four weeks preced-



Chicago's new gallon milk bottle has launched a rousing price war.

ing Dec. 16, but that areas which held to the traditional date brought their sales up by a big bulge in the last week before Christmas. By and large, retailers agree with Lew Hahn, N.R.D.G.A. president, who gives thanks for the extra week because it affords a more even distribution of holiday shopping. Some complain, however, about increased labor costs because of extra help for five instead of four weeks.

N.R.D.G.A. also notes that holiday shopping was affected by such varied influences as weather, industrial conditions, farm crop prices, making a fair estimate of the double holiday almost impossible. Retailers in the New York district believe that their cold Christmas helped to account for a mediocre 6% sales gain. Probably, with sales failing to correspond to expectations, both Mr. Roosevelt and the retailers will be more ready to "talk turkey" with the rest of the country next November.

TBS in (Not on) Air

New radio net headed by Elliott Roosevelt till last week tries to regain contracts.

AFTER TWO MONTHS of frantic planning and negotiating, the proposed new radio network, Transcontinental Broadcasting System, still hung in but not on the air this week. In a last desperate effort to avoid a blowup and to get started by Feb. 1 (inaugural date now talked), lawyers have been brought into the picture.

Since talk of the network became public in November (*BW*—Nov 18 '39, p.30), Elliott Roosevelt has been the publicized

if not actual promoter. With 20 hours of weekly time "guaranteed" from the agency of Blackett-Sample-Hummert, the embryo web lined up 102 stations, planned to go on the air Jan. 1.

Difference of Opinion

Something happened—or rather, nothing did on Jan. 1. According to Roosevelt, B-S-H reneged on its time contracts, supposedly made for American Home and Sterling Products. According to the agency, the network wasn't able to finance itself. The opening was moved back a month.

Last week, after rumor and counter rumor, Elliott Roosevelt resigned as TBS president. Peculiarly, the resignation was dated Dec. 21, though he had issued statements up to Jan. 1. John T. Adams (from Roosevelt's Texas State Network) continues as chairman. There isn't a new president yet.

Situation this week was that TBS, claiming it has no financial worries, was trying to win Blackett-Sample-Hummert back into the fold—and was using lawyers to do the talking. Some time ago, Transcontinental Broadcasting System exhibited a letter from George Tormey, B-S-H vice-president, which asked the net to "accept this as a firm and binding order" for 20 hours of time.

MARKETING ANGLES

New Merchandising Tactics

FOUR MONTHS AGO, Kelvinator-Leonard undertook a complete reorganization of its distributive set-up, replacing distributors in a majority of territories by company-owned warehouses to supply dealers direct. That the new plan is saving money seemed indicated by two moves Kelvinator and Leonard made this week: (1) Price cuts of \$30 to \$60, despite the fact that the factory is assuming all freight costs, which permits the advertising of "delivered-in-your-kitchen" prices, and (2) a new simplified financing plan under which six-foot refrigerators sell for a \$6 down payment and \$6 a month, and eight-foot refrigerators for \$8 down and \$8 a month.

Cancel Rug Discounts

FEW WEEKS AGO, floor covering manufacturers, including such firms as Mohawk, Bigelow-Sanford, and Alexander Smith, put an end to long-established systems of quantity discounts. They had decided, they said, that the discounts were illegal, and pointed to the Federal Trade Commission's action in calling Simmons (mattress) Co.'s quantity discounts a violation of the Robinson-Patman law.

This week, the showings of spring rugs and carpets were on in New York—and early reports had sales lagging. Some trade observers thought that the big

NEW JERSEY

LINKED

into an All-American Market

NEW JERSEY

A good place to WORK, to Live and to Play

Cities Service Head



William Alton Jones, first vice-president of the Cities Service Co. since 1927, was elected president last week, succeeding the late Henry L. Doherty, president and founder.

stores were holding up their buying as a not-so-passive protest to the ending of the discounts. The National Retail Dry Goods Association has been urging its members to do just that. Elimination of the discounts, says N.R.D.G.A., was simply a ruse to conceal a 3% or 4% price rise. But another explanation of the slow sales may be that big stores bought heavily in the fall, and are still pretty well stocked up.

FTC Tackles Tire Sales

INDEPENDENT TIRE DEALERS are jubilating over the Federal Trade Commission's action last week in serving complaints against Goodyear, Firestone, and Goodrich, charging misleading representations in tire advertising. The National Association of Independent Tire Dealers put pressure on Better Business Bureaus throughout the country last summer to bring to task dealers who advertised tires at "50% off"—when, allegedly, the sale prices represented savings of considerably less (BW—Jul 15 '39, p. 24). Suits were brought against individual dealers under various state truth-in-advertising laws. Independents claim that the industry's chaotic sales—and the resultant wild advertising claims—are generally touched off by manufacturer-controlled dealers, and that Federal Trade Commission restraint on manufacturers will do more cleaning up than any number of suits against local dealers.

PRODUCTION

PRODUCTS • PLANT • PROCESSES

Glycerine Comes into Its Own

Plays increasingly important rôle in foods and beverages, with medical profession's approval, while other industrial uses for it are widened.

AS VICTIMS of the widespread January cold snap buy their anti-chap lotions from the corner drug store, few of them are as conscious of the all-around importance of glycerine as the oldtime householder who personally mixed the annual supply of "rose water and glycerine," or the bathtub gin exponent who prayerfully counted out drops of glycerine for his daily potion.

Fact is that glycerine, or glycerol, the sweet, syrupy, odorless by-product of soap manufacture is so universally a part of daily life that it is found in some form in every home and business in the land. The average person thinks of glycerine only in its pure form, possibly as an anti-freeze for automobiles or as an obscure chemical in the laboratory. He is hardly

aware that it is an essential ingredient in almost as many products as water.

In everyday food and drink, in cigarettes and chewing gum, in printing ink and photography, in candy and medicine, in clothes and shoes, in lip-sticks and dynamite—the United States gets its pretty stable annual quota of glycerine, which is roughly 1 lb. of all grades for each man, woman, and child (146,580,000 lb. in 1937). Strangely enough, the human body adds almost half an ounce of glycerine per day to the production figures by itself converting 10% of the fats it consumes in the day's rations.

More than anything else perhaps, this last fact is responsible for a gradual accelerating swing to glycerine in the production of food and drink. Rather belatedly, the medical profession began to appreciate that if the body made its own glycerine, the chemical must perforce be good as food for man and beast. Since 1933, when the *Journal of the American Medical Association* reported that "glycerine as such can be safely incorporated into the regimen in far larger proportions than that in which it is liberated from even large quantities of dietary fat," the lid, if there ever was any, has been off.

Product Wins Advocates

But it was really not until the Glycerine Producers Association started to publicize the work of its Chicago research laboratories in 1935, and thus to convince Mr. and Mrs. Consumer of glycerine's essential benignity, that food and drug manufacturers would mention its presence in their products above a whisper. They aren't boasting about it yet, but almost any day some smart sloganizer may break forth with "Kuchen's Cake Kept Fresh with Glycerine."

The reasons why glycerine plays such an important role in the processing of foods and beverages are five in number: (1) Ease of combination with other materials, (2) ability to absorb and retain moisture, (3) low volatility, (4) excellent solvent powers, (5) food value. Tests indicate that it keeps cakes and cookies fresh longer, prevents crystallization in candy and frozen desserts, prevents curdling and separation in salad dressings and Hollandaise sauce, and blends a smoother cocktail. Peanut-but-

RYERSON STEEL IN STOCK

TODAY, you can be sure of the same dependable steel deliveries that have characterized Ryerson's service to industry for nearly 100 years. Ryerson stocks of certified, uniform high quality steel are ample. Deliveries are prompt. A special quality control plan on Alloy Steels includes selection of special heats, identification, testing, and heat treatment information on every bar shipped. 110 large Ryerson plants cover almost every size, kind, and shape of steel standard or special. Write for details to Ryerson Steel Company, Inc., Chicago, Milwaukee, Cincinnati, St. Louis, Detroit, Cleveland, Buffalo, Boston, Philadelphia, Jersey City.

RYERSON CERTIFIED STEELS

ter manufacturers are finding that a little glycerine keeps the oil from separating out.

In drug and cosmetic manufacture, glycerine keeps capsules and pills and lip-sticks and adhesive tape from drying out, prevents ointments and syrups from getting moldy. In an extensive list of pharmaceutical preparations, it is invaluable as a drug solvent.

Long used in such diverse inedibles as printing inks, stamp pads, photography, leather, paper, textiles, and explosives, glycerine is becoming larger factor in making emery cloth and sandpaper more flexible, in the manufacture of transparent cellulose wrappings, and in the production of more flexible synthetic resin lacquers for automobile and furniture finishing.

New experiments seem to show that glycerine will shortly assume an important role in the vulcanization of rubber.

Main point seems to be that glycerine-curing permits higher and more readily controlled temperatures than the more orthodox steam. Galoshes made by the method are reported to show good wearing qualities.

New Carpet Fabrics

War's effect on wool markets heightens interest in substitute raw materials.

WITH THE BULK of its raw materials imported, and thus more or less subject to war pyrotechnics, the Floor Covering Industry assembled this week for its concurrent "spring" openings in New York and Chicago. As was expected, buyer interest centered on prices, which were thrown into a flurry of uncertainty by a rumor that the Wool Control Board of Great Britain would jump prices about 30% on Mar. 1, and by the cancellation of volume discounts (page 33). Right now, raw wool prices average 40-50% above last year; carpet prices have increased about 15%.

Ever since Russia and North China were cut off as major suppliers of carpet wool, approximately one third of the material used in the United States has been coming from British-controlled countries like India, Scotland, and New Zealand, one third from Argentina, and one third from all other countries, not including Australia and the United States, whose sheep seem to clothe themselves in grades of wool too soft and fine for floor covering. Cork for linoleum comes from Spain, Portugal, and North Africa.

"Married" Fibers

Closely related to alarm over wool and prices was the interest manifest at the show in synthetic substitutes for wool, such as rayon. For some years past, the research departments of various carpet

companies have been experimenting with both natural and synthetic fibers to replace natural wool. So strong, however, is the national predilection for "all wool," and so comparatively unresilient are the available substitute fibers, that makers of the better grade of carpets have been ducking them while continuing to experiment.

But this week, Firth Carpet Co., of Firthcliffe, N. Y., hit the market with its new "Windblown" carpet, "a new fabric that blends the languid grace of rayon yarn with the springy vitality of wool... two fibers 'married' by a special and complicated process, each giving to the other its special characteristics of beauty and practicality."

And C. H. Masland, 2nd, of Philadelphia's C. H. Masland & Sons, announced that his firm was awaiting only the completion of adequate production facilities before coming on the market with an all-rayon carpet made of "Denicron," a synthetic fiber, patented by himself, which

reputedly combines all the excellences of wool, plus a resistance to moths, water, and dirt of its own. Not widely available for discussion at the openings was the news that E. I. du Pont de Nemours & Co., of Wilmington, is working on the adaptation of its new Nylon fiber to the needs of the carpet and floor covering industry.

House by Bel Geddes

Designer offers a pre-fabricated, low-cost, metal home that can be set up in a day.

NORMAN BEL GEDDES, streamline enthusiast and industrial designer, has entered the housing sweepstakes with plans for a low-cost, pre-fabricated, metal house. Ideas still are in the experimental stage but models reveal some daring innovations.

The house is "modern" in line having

Dinner on an Elevator



I.P.C. Photos

Something new in restaurant service is this system which is now being experimented with at the Cortile Restaurant in New York. The customer writes his order on a slip of paper,

drops it down a slot, and presses a button which sends a square tray, in the center of the table, down to the kitchen, where the food is put on it, and the tray sent up again.

a flat roof and corner windows. It is understood that Geddes isn't bothered by the popular adherence to high-peaked, traditional type houses since his interest is in providing shelter for low income families who can't afford to be choosy.

The Geddes' plan calls for a house 24 x 30 ft. It contains a living-dining room, two bedrooms, kitchen, bath. There would be 30 pre-fabricated units which would be moved to the building site in special trucks and put in place by derrick tractors. Estimated time to erect a house is one day.

How Structure Is Put Together

In the basic design there are eight wall sections, six floor slabs and six roof slabs. No provision is made for a cellar. The structure will rest on concrete posts or steel piles, according to soil conditions. Weight of the roof will be carried by the walls and by closet units which also serve as partitions.

The bath and kitchen units are back to back so that they can be lifted into place at a single operation. All necessary equipment is included. The hot-air, circulating heater is placed in a utility closet. Plans include circulation of air in summer and overhead, indirect lighting.

Material for the structure is yet to be decided. To date the best results in wall tests have been obtained with brass sheets welded on each side of a honeycomb grid. These walls will be filled with insulation; room surfaces will be covered by thin plywood. In addition to other metals that are being considered for the walls, plastics are regarded as possibilities.

Three variations can be worked out with the addition of standard wall units which would prevent monotony where many of the houses are erected in a group. Garages, porches and other accessories also will be available. Estimates of the cost of the Geddes house is \$2,350, exclusive of land.

Draws Washington's Interest

Mr. Geddes' backer is Theodore Backer, a young man of plentiful resources. He is the brother of George Backer who recently became owner of the *New York Post*. They are sons of a builder who erected many New York hotels and skyscrapers. It is hoped that great numbers of the houses will be built through federal aid. In this way greatest savings could be effected via mass production. Fabricating plants would be erected in various areas as fast as sales justified them. United States housing officials are said to be watching the development with interest.

Folks who visited the New York World's Fair will also follow the fortunes of Geddes' housing program. He was the designer of General Motors "Futurama" (BW—Sep 9 '39, p27) which played to 30,000 daily. The exhibit embodied many revolutionary ideas in highway planning.

NEW PRODUCTS

Metal-Glass Panels

FIFTY TEST INSTALLATIONS are proving the practicability of the new Metal-Glass Panel System developed by Revere Cop-



per & Brass Inc., 230 Park Ave., New York, in cooperation with Pittsburgh Corning Corp. and Owens-Illinois Glass Co. For interior construction only, glass blocks are held securely without mortar by a system of extruded metal shapes (bronze or aluminum) which lock in place instantly, yet can be dismantled quickly and reerected on moving day.

Margin Justifier

MOST RECENT TYPEWRITER to be equipped with a Right Hand Justifying Device is the Remington Noiseless Model 10 of Remington Rand Inc., Buffalo, N. Y. Used in conjunction with a carbon-paper ribbon attachment, the device produces clean copy for photo-lithography. It will be found useful also in the production of stencils and "masters" for practically all types of duplicating machines.

Steerable Squeegee

A NEW Tennant V-Type Squeegee rides close to the floor, while the handle is moved up and down or sidewise to permit it to get under work tables and benches, cars and trucks. G. H. Tennant



Co., 1821 N. E. Marshall St., Minneapolis, makes it in three "wing spreads," 16, 27, and 38 in., with reversible rubber blades for "double wear."

Paint Deodorant

WHEN INTERIOR DECORATION is in order and you wish to side-step paint smells, you might try mixing with each gallon of paint, varnish, or enamel, a teaspoonful of Mask, an "odor control" produced by New Dorp Chemical Co., New Dorp, Staten Island, New York. The new liquid is made to eliminate "after odor," leaving in its stead a faint aroma of vanilla.

Compact Shoe Shiner

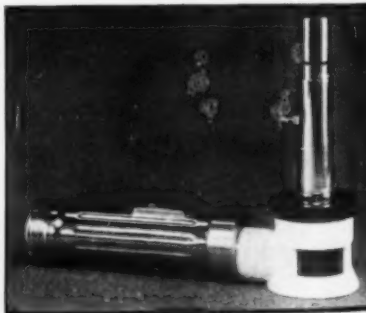
THERE'S many a good shine in the new Shubador Streamliner, a polishing kit



which was first designed by Shubador Corp., East Orange, N. J., for soldiers and sailors and is now going on public sale. Kit consists of a patented brush-equipped tube of polish with "squeezing key," a "shoe mit," and a case.

Illuminated Magnifier

A COUPLE OF YEARS AGO, E. W. Pike & Co., 1049 Harding Rd., Elizabeth, N. J., brought out the Flash-O-Lens Illumi-



nated Magnifier in powers up to 7x. Recently the powers have been extended up to 40x by the addition of Bausch & Lomb wide field tubes and shop microscopes. With the former, the working distance of the magnifier has been increased by several inches. With the latter, such things as drill holes and Brinell "impressions" may be measured with high accuracy.

Grinder Shield

NEWEST DEVICE for protecting the eyes of grinding machine operators is the Marvel Grinder Shield made by Boyer-Campbell Co., Detroit. Attached to the machine by an adjustable cadmium-

plated bracket, the shield consists of a molded plastic frame holding a window of non-shatterable glass, and an inbuilt electric light to focus on the work. Magnifying lenses are available for precision grinding.

Down-Draft Heater

HEART of the new Electromode Electric Heater is an aluminum grid, cast around



and protecting a tubular heating element. If the inbuilt fan, which provides down-draft circulation, should stop, an automatic switch cuts off all current. Electric Air Heater Co., Division of American Foundry Equipment Co., Mishawaka, Ind., makes the outfit in portable and "built-in-wall" types.

Non-Deteriorating Battery

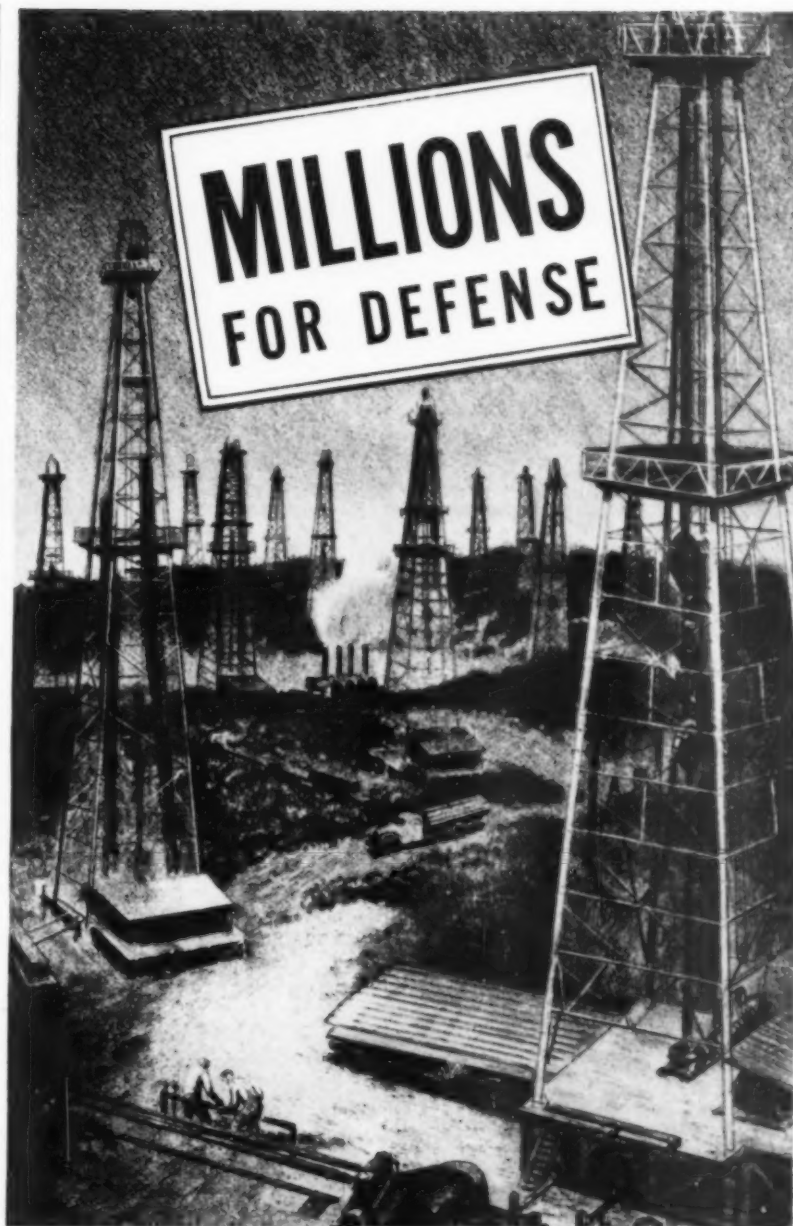
MADE STRICTLY for emergencies, the Triumph Emergency Battery, developed by Triumph Explosives, Inc., Elkton, Md., will store without deterioration for indefinite periods before actual usage. Similar in size and appearance to a standard 4-cell, lantern battery, the new battery has its cells packed and sealed in a dry state. They are activated only by a blow on the bottom which breaks a glass vial of liquid to furnish essential moisture for producing current.

Moth Trap

THE PRINTED MINIATURE of a woolen jacket in the young lady's left hand is a "Lur-em," an odorless new moth de-



stroyer made by Endoco, Inc., 48 Herkimer St., Brooklyn. Hung in a closet, the patented device holds an impregnated woolen lure which is calculated to attract moths away from woolen clothes. Any larvae which may hatch in the lure are faced with quick death by poison.



But Not One Cent for Tribute to Friction!

Up in the front line trenches of industry...guarding gears, wheels, shafts, and profits from friction and wear...millions of Hyatt Roller Bearings are carrying on their unremitting war against inefficiency.

Champions of smooth operation, economy, and long life...out in the oil field and down on the farm, in mill and factory, on highways and railways, everywhere...Hyatt Roller Bearings are defending the purchaser's machine investment. Look for Hyatts before you buy. Hyatt Bearings Division, General Motors Sales Corporation, Harrison, New Jersey; Chicago, Detroit, Pittsburgh and San Francisco.

HYATT

ROLLER BEARINGS
QUIET



WHY do America's leading executives sit in Do/More Triple Feature Chairs? There must be some good reason that makes thousands of them pick this "adjusted to fit" chair in preference to any other. These Do/More Executive Models offer three definite advantages:

1. They give greater comfort and help maintain good posture.
2. They include an EXERCISER back.
3. Enable busy men to get needed relaxation.

You'll feel better in a Do/More! Write us for booklet containing detailed information.

Domore Chair Company, Inc., 110 Franklin St.

Elkhart, Indiana
Canadian Representative: Domore Chair Co., Inc., of Canada
290 Bay Street, Toronto

DO/MORE

LIGHT for the Machines of Business



Machines that speed the flow of business are guided by human eyes. GOOD LIGHTING means more work done, with less fatigue and error. This new Faries Office Appliance Lamp is one of

OVER 200 MODELS

Impressive lamps for your private office—lamps for the general office or plant. In the interest of efficiency, check up on the LIGHT in your offices. Have your electrical or office supply dealer show you the Faries catalog.

FARIES MFG. CO.

S. Robert Schwartz Div.

1014 E. Grand Decatur, Ill.

Faries Lamps

LEADERS IN STYLE AND
LIGHTING EFFICIENCY SINCE 1880

WRITE
for
Literature
PRICES

FOR BUSINESS

Every week in Business Week, active management executives find the news of business interpreted for business. Business Week is edited for the man who has little time for reading but who must know what is going on in business that affects his business.



La Follette Quiz Lacks Fireworks

Extent of industrial aid to Associated Farmers is revealed, but civil liberties inquiry, now on last lap, has failed thus far to develop new angles on labor violence.

IF THE LA FOLLETTE Senate Civil Liberties Committee expects to make big headlines out of its West Coast investigation—the kind of headlines which will assure a Congressional extension of its present appropriation—it's going to have to make a more sensational showing on its last lap than it did on the first.

That was the consensus of West Coast business men as the committee prepared to resume hearings in Los Angeles this week and scheduled the windup session for San Francisco next week where the troubled waterfront situation will be the subject of special scrutiny.

Thus far, the committee has focused on the farm labor problem, seeking to learn whether citizens' rights have been violated by the anti-strike activities of the powerful Associated Farmers. Tales of violence have been retold, but there has also been testimony of a more placid character. The committee has listened to a succession of agricultural economists who have told of rising costs of farm production, fluctuations in land values, decreased crop returns, and mounting labor costs.

How Much Aid from Industry?

Nearest thing to a news break turned up by the inquiry to date was a detailed revelation of the sources of Associated Farmers' money. While it had been generally known that large corporations with a heavy stake in agriculture had aided the group financially, the public had no figures on the extent of industrial participation in A.F.

Senator La Follette's committee has found that the 10 largest contributors to A.F. from May, 1934, to Nov., 1939, were: Atchison, Topeka & Santa Fe, \$5,175; Cannerymen's League of California, \$13,700; Dried Fruit Association, \$12,500; Industrial Association of San Francisco (now defunct), \$15,400; Holly Sugar Corp., \$3,800; Pacific Gas & Electric Co., \$4,375; San Joaquin Cotton Oil Co., \$3,866; Southern Californians, Inc., \$6,500; Southern Pacific Co., \$8,825; Spreckels Investment Co., \$3,800.

The Associated Farmers took in about \$178,000 during the 1934-1939 period, of which A.F. county units supplied \$47,000. Prominent contributors who helped finance organization of the farm group in 1934 include: Rosenberg Bros. & Co. (dried fruits), Associated Oil Co., Standard Oil Co. of California, Texas Co., Union Oil, Union Pacific, Western Pacific, American Trust Co., Anglo California

Bank, Bank of California, Crocker First National Bank, American Can Co., Continental Can, Pacific Can, Longview Fibre Co., and California & Hawaiian Sugar Co.

Samuel P. Frisselle, former president of the farm group, said that "speed in organization was essential in 1934, hence our haste to go to the industrialists until we could get through the slow stages of organizing the country."

Effect of Anti-Picketing Laws

Testimony on violence and rioting came chiefly from county officers and strikers involved in such major 1937 battles as the strike of fruit workers on the 15,000-acre ranch of the Earl Fruit Co., in Marysville, a similar skirmish in the Yolo County apricot orchards (BW—Jul 17 '37, p. 26), and the turmoil in Stockton packing plants during the spinach canning season. The recent half-hearted strike of cotton-pickers in the San Joaquin Valley also came into the picture.

The committee record seemed to show that most of the violence resulted from efforts of officials to enforce the strict county anti-picketing ordinances enacted largely at the behest of local A.F. units (BW—Mar 25 '39, p. 48). Farmers insisted that the laws are necessary to protect their crops and property from disorders stirred up by "professional agitators" who follow the harvests. Testimony revealed about as many casualties on one side as on the other, and the committee learned little that could not have been found in the files of a San Francisco newspaper.

New Influx Predicted

Sidelights of the hearing were:

(1) John B. Canning of the economics department of Stanford University warned that a worse migration than that from the dustbowl threatens California. He said mechanization of cotton picking in the South would displace thousands of Negroes who would head for the Golden State and create a more serious problem in civil liberties.

(2) Roy M. Pike, manager of the large El Solero Ranch (fresh and dried fruits) at Vernalis, Calif., introduced statistics and charts to show that, contrary to popular belief, large-scale farming in California is decreasing. He presented a letter from C. B. Hutchinson, dean of the University of California College of Agriculture, declaring that "the trend... has been toward smaller farms and in

some cases this trend has gone too far and the size of some units is too small to enable a man to operate economically."

The La Follette committee plans to present its final report in a series of radio broadcasts from Washington. John Steinbeck, author of "Grapes of Wrath", a novel dealing with the migrant problem in California, has refused an invitation to appear on the first program.

Fix NLRB, not Law?

House inquiry resumes as indications point to personnel shifts but not change in Act.

NOT QUITE the Page One sensation it was before Congress convened, the special House committee investigating the National Labor Relations Board still was of major importance this week, as it drove toward its goal of recommendations for changes in NLRB personnel and in the Wagner Act itself. Chairman Howard Smith has said that his committee would wind up its work by March 1, and present a report to the House.

The investigators have spent more than half of their \$50,000 appropriation thus far, and probably will not be able to go through extensive hearings in other cities, although numerous requests for such side excursions have been made by business interests in Detroit, Cleveland, San Francisco, and other cities.

Beginning with Board Member William Leiserson, the committee next interrogated a few regional directors of NLRB, and this week called sundry associates of the board, including several young lawyers who serve as examiners. In general, the tone of the questioning by the committee's counsel, Edmund Toland, has been gauged to support an oft-repeated charge that NLRB assistants are too young, too inexperienced, and too incompetent for such important work. NLRB Chairman J. Warren Madden and Board Member Edwin S. Smith will be called to testify later before the committee.

"Good Law," Says Leiserson

Despite the clamor for Wagner Act amendment, close observers believe that the chances are poor for such action in 1940. Brakes on both Senate and House are supplied by their regular labor committees, which began Wagner Act inquiries last year and have not completed them.

This week, some of the steam was taken out of the committee's drive for amendment when Dr. Leiserson, the newest member of NLRB and the one who started the Smith hearings off with a bang by asserting that some of his associates were incompetent (BW—Dec 16 '39, p. 34), uttered a word of caution to the Economic Club in Detroit: "I still consider the Act a good law, and I do

Only Redipoint

HAS THIS FEATURE

"CLICK"
Lead Snaps Back

Simply press Redipoint and lead disappears. The automatic push-back is an exclusive feature of the handsome new Redipoint.

"FLIP"
Lead Reappears

Redipoint will carry your ad or trade-mark, or can be personalized with your customer's name.

"The Pencil with a PLAN behind it."

Remembrance Advertising
BROWN & BIGELOW - SAINT PAUL, MINN.



ENJOY THE ADVANTAGES OF MODERN OFFICE EQUIPMENT

Make your office a business home that is attractive and comfortable, as well as efficient. Modernize with "Streamliner" steel business equipment which includes desks, tables, filing cabinets, telephone stand, and accessories . . . new designs . . . new features . . . new finishes . . . beautiful and practical.

Globe-Wernicke office equipment and systems are sold by dealers everywhere. Ask to see the distinctive new seal gray finish.

The Globe-Wernicke Co. . . CINCINNATI, O.

not want to see it amended in any important respect."

Changes in NLRB personnel are another matter. Politically, the Smith hearings are building up a good Republican argument for 1940 campaigning. But it has been anticipated by most observers that Chairman Madden will be shifted to another job, that Leiserson will become boss of the board, and that this will happen before the Smith committee is ready to pull the trigger with its report to Congress.

Various names are being suggested in Washington for new appointments. Among them is the name of Mrs. Elinore Herrick, regional director for New York.

With such changes, a great deal of the force would die out of the various Wagner Act amendment drives. The prime demand of A.F.L., for example, is that the board be forced to pay more attention to small units of labor, and to let "local option" by plants or crafts rule in certifying bargaining agents.

Stand Firm on Anthracite Issue

Leiserson already leans this way, although this week he concurred in the board's unanimous designation of the United Mine Workers as bargaining agent for the Pennsylvania anthracite region. A sorry blow to the Stevens and Alden coal companies, as well as to the A.F.L.'s Progressive Miners, the decision was defended by Leiserson and the whole board on the basis of the argument that wage rates and working conditions

throughout the entire area had been handled as a single problem for 50 years.

If the Administration does not make appropriate personnel shifts, Congress is expected to move in with a revision which would change the NLRB from a three-person to a five-person board. This kind of "ripper" bill would effectively gain the desired ends, by forcing new appointments.

Wage-Hour Log Jam

Complaints swamp staff, but Fleming tells Congress law works well in other respects.

THE FAIR LABOR Standards Act (commonly called the Wage-Hour law) is bringing in complaints too fast to handle, its administrative division reported to Congress this week. Even with 290 field inspectors on the job, reports of violation of the law (fixing a minimum wage of 30¢ an hour and a maximum week of 42 hours) are coming to Washington at the rate of 1,000 a week. There is a backlog of more than 15,000 such complaints, and the division estimates that an inspector must average four days' work on each one. As a consequence, Col. Philip B. Fleming (in charge of the division as assistant to the Secretary of Labor) estimates that his inspection army will grow to 700 by next spring.

In other respects, Col. Fleming finds the law working well. He declares that

no shutdowns or layoffs can be traced to the rise from a 25¢ to a 30¢ hourly minimum last October, and compliments industry on its ability to adapt itself to the change, which it is estimated raised the hourly rates of 650,000 workers and shortened the work week of 2,400,000.

A court record studded with successes is heartening to the division. It has pushed 37 criminal prosecutions through, with the help of the Department of Justice, and has seen \$247,850 imposed in fines on employers found guilty of violating the act. Of this amount, \$132,350 was suspended on the promise of employers to restore back wages in full to employees. Half of the complaints concern the provision for time-and-a-half overtime payments.

Col. Fleming wants to achieve greater speed in the appointment of industrial committees, of which a half-dozen were named during the first year of operation, all in the textile field. A railroad committee was appointed in December, and it is expected that five or six more in various fields will be named during the next few months.

Col. Fleming recommends nothing in his report by way of amendment to the law. Forty-two bills to amend the law are pending in Congress, but the Administration has nothing to say about any one of them.

What Price Industry?

St. Louis confronted with necessity of paying bonus or losing Emerson Electric plant.

A PROBLEM of vital concern to all metropolitan centers has been laid in the lap of St. Louis business leaders by the tentative decision of the Emerson Electric Manufacturing Co., to move its plant and offices to a smaller community offering attractive financial inducements.

Last February industrial engineers informed the directors of the 50-year-old concern that their plant, spread among five separate buildings, was uneconomical and that operations should be consolidated in a two-story building. A further disadvantage cited was that the manufacturing buildings are not located on a railroad siding.

That the company might have to seek a site elsewhere did not come to public attention until December, when the C.I.O. United Electrical, Radio and Machine Workers' Union, whose membership includes many Emerson employees, brought the matter before 1,000 business, civic and religious leaders. The union, in a four-page pamphlet, charged the Chamber of Commerce, the Real Estate Exchange and other organizations with failure to make any determined effort to keep the plant in St. Louis.

Since then the Chamber of Commerce has appointed a subcommittee to con-



Harbo & Ewing

Appearances above to the contrary notwithstanding it was Mrs. Elinore Herrick who was telling Edmund Toland in Washington last week. Toland, counsel for the special House committee investigating the National Labor Relations Board, called Mrs. Herrick to testify. As NLRB

regional director for New York, she said, she was constantly harassed by Washington investigators using "OGPU" methods. Outspoken Mrs. Herrick, incidentally, is now being boomed for a top NLRB job, when and if the present personnel is shaken up.

sider the problem and a number of conferences have been held with company and union representatives. The position of the company is that it must, in the interests of sound operation, consolidate its production in a single modern plant, for which it is willing to spend \$800,000. No satisfactory inducements have been offered by St. Louis to encourage the company to establish such a plant in the city, according to President W. Stuart Symington, while several smaller communities have made such offers.

It is reported that the company, failing to find any encouragement in St. Louis, sent letters to some 100 smaller industrial centers. A number were reported to have replied favorably, the best offer coming from the Evansville, Ind., Chamber of Commerce which, it is said, offered a free factory site of 15 to 20 acres and a bonus not to exceed \$150,000 to cover moving costs.

Hope Company Will See Light

St. Louis Chamber of Commerce representatives dispute the union's charge of lack of interest. Unofficially, they express doubt that any large city could set the precedent of paying a bonus to retain any industry, but that they were hopeful that a company which had "enjoyed 50 profitable years in St. Louis would see the wisdom of remaining in a center offering so many advantages in production, marketing and shipping."

The Emerson Company, manufacturers of electric motors, fans, arc welders and other electrical equipment, employs anywhere from 1,000 to 3,000 persons, the average being more than 1,250. The union's pamphlet points out that the company paid \$8,000,000 in salaries and wages from 1935 through 1939, and that its removal not only would throw many people out of work, but would cost St. Louis heavily in taxes and in income lost by St. Louis business houses.

No Signature Needed

Court repudiates NLRB ruling that Inland must conclude bargaining with signed agreement

"TAKE IT BACK AND TRY IT OVER," said the Federal Circuit Court in Chicago this week to the National Labor Relations Board after it looked over the evidence in the Inland Steel case. And thereby one of the hottest arguments of the whole collective bargaining debate was reopened with a bang.

In 1937, Inland was one of the four members of "Little Steel" which were struck by the Steel Workers' Organizing Committee (C.I.O.) and which became the defendants in individual NLRB cases as S.W.O.C. charged unfair labor practices after the strike petered out. Inland's case was famous as the one in which the main dispute turned on the

question of whether the Wagner Act made it obligatory to sign a contract, if bargaining relations were agreed upon. And, almost two years ago (*BW—Apr 238, p13*) the labor board decided that denial of the employer's signature was indeed a violation of the law, at least in the case of Inland.

The Circuit Court says no. It says nothing in the Act requires a signed agreement "unless we are authorized to read into the term 'collective bargaining,' the condition that all agreements, not some, must be reduced to writing." Further, it criticizes severely the conduct of the NLRB trial examiner in the case, asserting that "he laid aside all semblance of serving in a judicial capacity."

What with the turmoil over NLRB methods aroused by the House Committee hearings in Washington (page 39), the Inland reversal adds great force to the argument that the labor board should adopt a more judicial, middle-road attitude. Like all other important Circuit Court cases, this one probably will be appealed to the Supreme Court (which slapped down the lower courts' labor views many times), but before that body gets around to it, it is likely that the NLRB methods will have changed. And this week's ruling hits the board, not the Wagner Act.

LABOR ANGLES

No, Thanks

ENDICOTT JOHNSON WORKERS made it plain this week in the second biggest election ever conducted by the National Labor Relations Board that they like George F. Johnson better than William Green or John L. Lewis. When 15,831 shoe workers went to the NLRB polls in four big plants, they voted 12,693 against any outside union, 1,612 for A.F.L. and 1,079 for C.I.O. There were 403 challenged ballots and 44 spoiled. Incidentally, George F. Johnson has been very ill, and the union organizers wanted to get the election postponed because, they complained, his illness would rouse the loyalties of the workers.

Ear-to-Ground Dept.

C.I.O. CIRCLES are buzzing with a hot tip, originating nobody knows where. Claim is that "it's in the bag" for all Canadian A.F.L. segments to move over into C.I.O., early this year. . . . In the meantime, A.F.L. is talking about a bold move—offer to take broad slashes in hourly rates for building workers, on guarantees of steady jobs with big projects. . . . In Detroit, C.I.O. spokesmen are lambasting new business-man's Council for Industrial Peace, attacking it as precursor of a vigilante movement which will try to weld women's clubs, veterans, and other groups into big open-shop campaign.

THE LARGEST FLEET OF WINTER TRAINS

Supplies Complete Service



*7 Fine
Trains
Daily*

FLORIDA AND SOUTH

Select your train from the largest fleet of winter trains. Choose departure and arrival time suited to your "calendar". Travel in swift, modern, air-conditioned Pullmans or Coaches. To assure Coast Line luxuries, safety and low fares, specify your train by name.

FLORIDA SPECIAL (East Coast)

"Aristocrat of Winter Trains"

FLORIDA SPECIAL (West Coast)

New Companion Train of "Aristocrat of Winter Trains"

THE MIAMIAN

"It's Smart to Ride The Miamian"

THE CHAMPION

Champion of Modern Coach Travel and Speed

VACATIONER

Early-Arrival Companion Train of The Champion

HAVANA SPECIAL

"Saves a full business day"

PALMETTO LIMITED

"Serving the nearby Southland"

Convenient Connections from all Eastern Cities

Service to all Florida East Coast Points is operated in connection with Florida East Coast Railway

**ATLANTIC
COAST LINE
RAILROAD**

The Double Track—Sea Level Route

MONEY AND THE MARKETS

FINANCE • SECURITIES • COMMODITIES

Bankers Have Their Day—and Say

Their annual meetings distract attention from sluggish markets. Winthrop W. Aldrich proposes free circulation of gold as expanding deposits pose problem.

MARKETS THIS WEEK were dull, and interest veered away from stock and commodity trading to the hundreds of annual bank meetings held throughout the country. Tuesday was "Bank Day," and bank presidents and chairmen, in making their annual prophecies to their stockholders, were both cautious and optimistic simultaneously. This indecision had its counterpart both in business (see page 13) and the stock market, where prices backed and filled.

Always outstanding on "Bank Day" is what goes on at New York's Chase National Bank—not only because the Chase is the world's largest bank, but also because Chairman Winthrop W. Aldrich usually has something to say. This time, Mr. Aldrich proposed a return to free circulation of gold in the United States. Although this would not check directly the flow of gold to this country, it might at least act as a brake on the persistent rise in bank deposits—a rise which has been both a boon and a bane to the banks.

The increase in bank deposits poses a nettlesome problem to banks these days

—whether to invest in government bonds (and sometimes in other securities) or to let the cash pile up in the Federal Reserve Banks (as excess reserves) or in the banks' own vaults.

As a result of the gold inflow and the resulting rise in deposits and investable assets, banks finished 1939 more comfortably than in 1938. Substantial increases in government holdings and a moderate rise in commercial loans provided enough lift to earnings to cover dividend requirements in most cases.

Ready for Loan Pickup

At present, banks have a lot of idle cash on hand, partly because they do not want to extend unduly their commitments in governments and partly because they want to be ready in case there is a pickup in the demand for commercial loans. Such a pickup would offer the best prospect for a substantial improvement in bank earnings.

Corporate financing ended the year in a flurry with the successful flotation of \$60,000,000 in 3½% and 4% bonds of the Louisville and Nashville Railroad—

in itself the largest single piece of rail financing in several years—and this week \$30,000,000 in American Gas and Electric debentures went over with a bang. This, of course, is all very heartening to investment bankers, but the SEC's action in pushing the Associated Gas & Electric into receivership may act for a time as a depressant on public utility holding company financing.

Total issues in 1939—thanks to the L. & N. flotation—rose slightly to \$2,178,873,405 against \$2,139,244,689 in 1938, according to the *Commercial and Financial Chronicle* compilation. However, private placements rose to a new peak, with some estimates placing them as high as \$800,000,000.

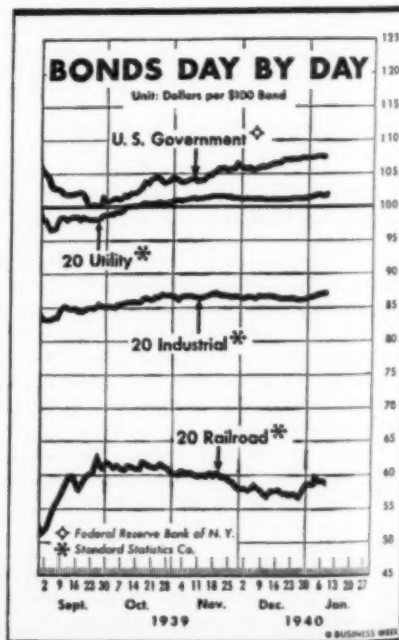
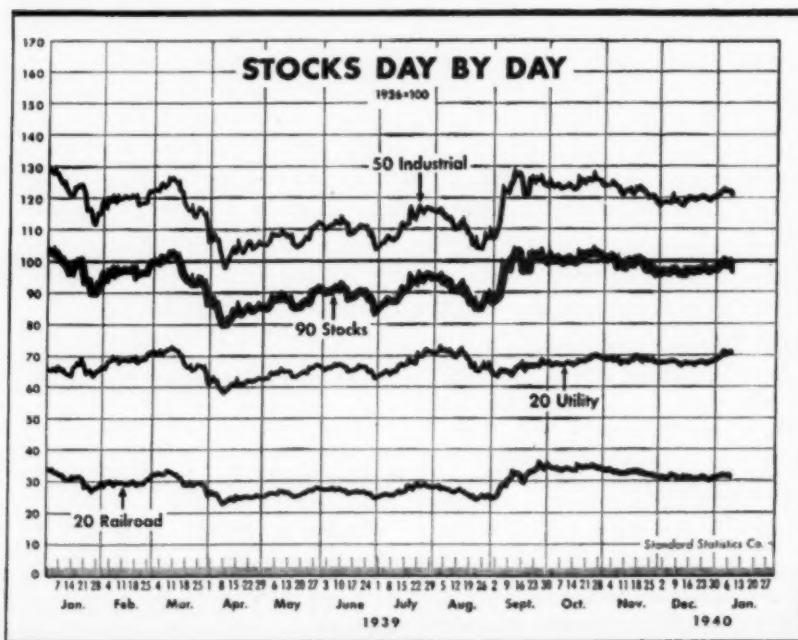
Over the next few weeks, the stock market will be subject to the influence of annual reports; but in most cases, good earnings have been anticipated.

FINANCIAL ANGLES

Making Bonds Out of Stock

CREATION of bonds or debentures or preferred stocks based on common stock pledged as collateral was a not uncommon financial device in the 1920's. In the case of holding companies and investment trusts it allowed a person or a group to retain control while passing on most of the cost to the public. Inherent weaknesses in the idea were realized at the time, but they became more apparent in the ensuing depression. Values of such bonds and preferred stocks shortly became impaired—not to mention the fact that there was nothing at all in the way of book value for common stocks junior to them.

Then, with fine hindsight, there was



much talk of "leverage." As soon as the senior security's book value was to come to par, the equity of the common would skyrocket by reason of the fact that the junior shares were entitled to everything left over. This pretty theory is attractive only when an investment company is under water.

Now comes the Securities and Exchange Commission to say that the investment trust which multiplies the classes of securities in its capital structure multiplies the abuses. Next move: SEC will ask Congress to ban such structures.

Jesse Jones' Plan

TO KEEP the Boston & Maine Railroad from default, Jesse Jones, Federal loan administrator, several months ago suggested to the management of the road a plan to reduce its fixed interest charges. The management has agreed, and this week bondholders were being asked for their assents. There are now \$136,746,500 in obligations, most of them bearing interest at from 4% to 6% annually. The road would exchange for each \$1,000 par amount, \$500 in new 30-year 4½% income bonds and \$500 in new 20-year 4% first mortgage bonds. (Holders may take cash instead of the new first mortgage bonds, and the RFC will put up as much as \$26,000,000 to underwrite this redemption.) In 1938, fixed interest charges of the road were just over \$6,000,000. Under this recapitalization, fixed interest would be \$2,735,000 a year on the new 4% bonds, and interest on the 4½% income bonds totaling \$3,077,000 would be payable only if earned.

When Mr. Jones first suggested the plan, he said, "Some other roads ought to try it."

Back to Normal

AFTER THE war broke out, the Copper Institute one day decided to discontinue reporting monthly figures on the metal, since world statistics no longer were available (*BW—Oct 21 '39, p. 51*). But time passed, the war droned on, demand for copper (and statistics) grew, and the institute will now resume publication of these statistics—though covering the United States alone. Resumption comes at a time when the war-inspired boom in American copper has pretty well subsided. Major interest now centers in the ability of domestic producers to key production to actual consumption at home, plus exports.

Zinc Output Soars

ZINC SHIPMENTS from producers to consumers have fallen very sharply from the abnormal peak of 69,424 tons in September and 73,327 tons in October. In fact, total deliveries to consuming industries in December were down to 53,468 tons whereas production, soaring for the fifth successive month, reached the record total of 57,941 tons. This is the first time

since last June that production has outstripped zinc deliveries. Thus it appears that surplus production may have been a real factor in motivating the two recent reductions in price (heretofore the market unsettlement had been blamed almost exclusively on imports in bond which, it was feared, might be released on the domestic market). Consumers undoubtedly were reassured by December's small increase in stocks of zinc on hand. Nevertheless, these supplies are at a very low level, totaling only 65,995 tons.

Arbitration for the Curb

DEMONSTRATING the growing trend toward arbitration of securities disputes, the New York Curb Exchange this week announced an enlarged panel of 148 arbitrators, who will compose differences between member firms and the public. Coming as an aftermath of the reorganization of the exchange last February, the panel will include 41 men not in the securities business. Among them are two bankers, one labor leader, a lawyer, and the president of the Madison Square Garden Corp.

That Rise in Cotton

WHENEVER a federal regulatory agency sets out to investigate something in this or that market it creates a certain amount of excitement. This was true three weeks ago when the Commodity Exchange Administration decided to look

into the whirlwind rise in cotton prices, even though market observers were pretty sure the cause had been excited buying in Liverpool, Alexandria, and Bombay (*BW—Dec 16 '39, p. 48*). Now the CEA turns up with the same conclusion—that it was foreign buying, especially in Alexandria—and the result necessarily is something of an anticlimax. Moreover, the CEA report ignores the fact that the squeeze in Alexandria as well as in domestic markets has its background in the federal storage-loan policy which still holds 9,000,000 to 10,000,000 bales of American cotton off the market.

Tin Shortage Averted

THE TIME may come when this war will disrupt production and shipments of tin. That thought was what caused the price of the metal to shoot up from 49¢ a lb. to almost 75¢ on the outbreak of hostilities. But supplies haven't been disrupted yet. World production for some time has been averaging about 20,000 long tons a month and consumption about 13,000. Moreover, there were 11,366 tons of the metal laid down in the United States in December compared with 7,870 in November and only 3,400 tons for December of 1938. World supplies on Dec. 31, including stocks in the Far East and in continental Europe, were 38,280 tons. There's no shortage in these figures. And the price is 1¢ a lb. lower than at the start of the war.

New Issues

American Gas and Electric Company

\$ 8,000,000 Sinking Fund 2¾% Debentures, Series due 1950
Due January 1, 1950

\$10,000,000 Sinking Fund 3½% Debentures, Series due 1960
Due January 1, 1960

\$12,000,000 Sinking Fund 3¾% Debentures, Series due 1970
Due January 1, 1970

*355,623 Shares 4¾% Cumulative Preferred Stock
Par Value \$100

*Subject as to the 4¾% Cumulative Preferred Stock to the prior right of the holders of the Company's outstanding \$6 preferred stock to exchange their shares under the Company's exchange offer.

Prices:

102½% for the 1950 Series Debentures

103½% for the 1960 Series Debentures

103½% for the 1970 Series Debentures

\$105 per share for the 4¾% Cumulative Preferred Stock

In each case plus accrued interest or dividends from
January 1, 1940 to date of delivery.

This advertisement is neither an offer to sell nor a solicitation of offers to buy these securities. The offering is made only by the Prospectus, copies of which may be obtained in each state from any of the undersigned as are registered or otherwise qualified to act as dealers in securities in such state.

Bonbright & Company
Incorporated

The First Boston Corporation

Harriman Ripley & Co.

W. C. Langley & Co.

Smith, Barney & Co.

Blyth & Co., Inc.

Tucker, Anthony & Co.

Harris, Hall & Company
(Incorporated)

Kidder, Peabody & Co.

Lee Higginson Corporation

Shields & Company

Stone & Webster and Blodget
Incorporated

January 8, 1940.

BUSINESS ABROAD

FOREIGN TRADE • INTERNATIONAL AFFAIRS • FOREIGN INDUSTRY

Red Star behind the Rising Sun

Washington's pressure on Tokyo comes up against dangerous evidence that, as in Europe, reversible Russia may become a vital factor in an Asiatic showdown.

WITHIN TWO WEEKS the United States trade agreement with Japan expires (Jan. 26). During the spring the American fleet is expected to carry on the most extensive maneuvers ever seen in the Pacific. Japan is in for a period of the jitters. Washington has the power to put the screws on Japan economically. We provide Nippon's biggest market outside her own empire. We supply the Japanese with the bulk of their heavy machinery imports, about half of their raw cotton, much of their scrap iron, tremendous quantities of copper, and a big share of their petroleum products. More than a year ago Washington stopped the export of military planes to Japan by placing a moral embargo on shipments to aggressor nations which bomb open towns. Molybdenum and aluminum (both war essentials) were added to this embargo list a few weeks ago, and more recently the equipment and technical information necessary for the production of high standard gasoline of the kind required for high-speed military planes.

But there is another side to this picture which the general public—and possibly Washington—has missed. It involves the changed rôle which the Soviet Union has been playing in world affairs since last April. This Soviet angle is what is causing concern among informed observers of developments in the Far East.

Meaning of Litvinov's Fall

Last April, the Kremlin suddenly announced that Maxim Litvinov was being removed as the Soviet Commissar of Foreign Affairs, and that his duties would be taken over by Premier Molotov, officially Russia's No. 2 man. No explanation was given, but the deposed Litvinov continued to appear in public in the Red capital so there was no question of his being liquidated.

In August, when the Russians made their spectacular non-aggression pact with Hitler, it became manifest to the world that Soviet foreign policy had undergone a complete change. Whereas Litvinov had stood for a long period of Soviet foreign relations marked by entry into the League of Nations, the establishment of diplomatic relations with the United States, a series of non-aggression



Soviet supplies are sent to the Chinese government forces by camel caravan, which crosses the Pamir Mts., on the border of Sinkiang.

pacts with neighboring states, and a plan for collective security with the Western democracies, the new Molotov régime made a sharp about-face.

Following the August pact with Berlin, Germany—unopposed by Russia—invaded Poland and divided the spoils with Moscow, obtained political domination over the three small Baltic states, made political demands on Finland and set out to force their acceptance when the Finns refused to acquiesce. Though England and France have not broken off diplomatic relations with the Soviet Union, Allied sympathy is openly with the Finns. Neither Berlin nor Moscow has admitted publicly that more than a non-aggression pact and a fresh trade agreement exists between them, but it begins to be apparent there are secret clauses providing for cooperative action if the need arises.

Russian bargaining took an alarming turn last week when the Soviets made two new deals with Japan. After being at odds with Tokyo over Japanese fishing rights in Soviet Far Eastern waters for most of the eight years since Nipponese troops occupied Manchuria, the Kremlin last week suddenly extended the fishing lease for a year and offered to open negotiations for a long-term settle-

ment of this cantankerous problem. Presumably Moscow will insist on a permanent settlement of the Siberian-Manchukuan boundary dispute in return. When it is recalled that pitched battles have been fought along this frontier for as many as five years, and that the Japanese are said to have lost 18,000 men there in the four months before the truce was called last fall, the significance of the pending settlement is apparent.

Japan Decides to Pay a Debt

The second accord was slightly less significant but equally unexpected. When Japan occupied Manchuria in 1931, it took possession of the Chinese Eastern Railroad which was owned jointly by the Russians and the Chinese, and offered to pay Russia for its share of the railroad. The deal went through but some time ago, with nearly \$2,000,000 still due, there was a disagreement between the two parties and payments were stopped. That situation was patched up in last week's second accord, and Japan has already paid the \$2,000,000 of arrears.

Russia has controlled Outer Mongolia (see map p. 45) for over 10 years. Soviet police patrol the region; Soviet soldiers train its army; Soviet officials dominate the government offices. From the transiberian railroad, roads have been built across Outer Mongolia to the Chinese frontier, and since the struggle with Japan developed, they have been extended south and west into China. Lanchow, age-old trading post in the heart of the ancient Celestial Empire, has been made into a great air center where Chiang Kai-shek's sky fighters make their headquarters, and Soviet pilots train eager young Chinese Nationalist fighters. Long caravans of trucks rumble down from Mongolia with airplane repair parts and gasoline. Road markers are lettered in both Chinese and Russian. One of the most backward parts of old China has become accustomed to automobile traffic and the whirr of airplane engines.

Kremlin's "Conquest" of Sinkiang

But what is not generally known to the world at large is that Sinkiang province (see map) is also almost completely under the domination of Moscow. As long ago as 1931, Russian agents from neighboring Turkestan are reported to have come to terms (without fighting) with the Chinese warlord who controlled the huge but sparsely peopled province. Since then Soviet engineers have built roads, some small local industries, a few power plants, and—mainly—a chain of modern airports which allow quick communication between the five or six major centers of population. Sinkiang's mineral resources are probably better known to Moscow than to Chungking.

It is against this background, little known to the general public, that Russia's new rôle in the Far East becomes important. Now the Kremlin, after sup-

porting China against Japan for nearly nine years, seems to have altered its course. Probably Moscow will insist that Japan give up its dream of controlling all of China, but in return for a huge Soviet sphere of influence in the vast inland region which still nominally belongs to Chiang Kai-shek, Russia may agree not to attack Japan from Vladivostok or hinder a naval drive down the China coast into the heart of the colonial empires of France, Holland, and Britain.

When BUSINESS WEEK's Foreign News Editor was in Moscow last April, Mr. Litvinov, who was still Commissar of Foreign Affairs, asked him pointedly if the United States had no intention of doing more to aid China than provide the

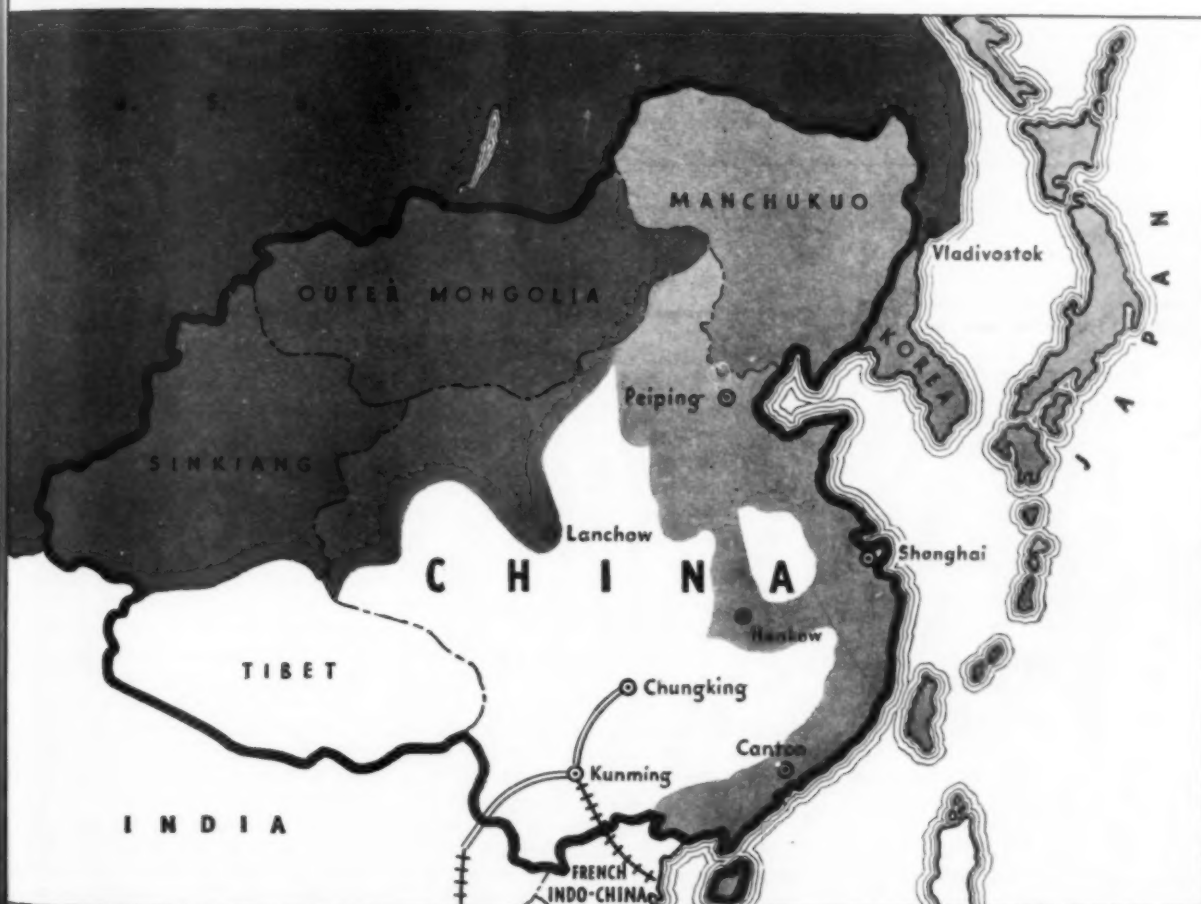
puny \$25,000,000 of Export-Import Bank credit which had been created to help China buy oil and trucks. There was the same despair in his manner that there was when he spoke of the Munich accord and the later occupation of Czechoslovakia by the Germans.

Later developments make it plain that Moscow completely reversed the Litvinov policies in Europe when it shifted responsibility for the Foreign Office to Premier Molotov. Maneuvers during the last three weeks imply that equally radical changes are coming in the Orient. Where formerly the Soviets were helping the Chinese to defeat Japan and recover control of their country, Moscow now is apparently adopting a realistic imperial-

istic policy, acknowledging Japan's conquest and taking what is left of China as its own special sphere. To Washington this should be significant for, while Moscow will place some of the blame for the China crisis on Britain, at least an equal share of the responsibility will be placed squarely on Washington's shoulders.

There is an alarming similarity between the crises in Europe and in Asia. When Nazi Germany realized that it could not continue its expansion program without precipitating war with the Allies, it made a deal with Moscow in order to insure peace along its eastern frontier. Though there is a great deal of talk about overthrowing the radicals in Germany and then of winning over the

Will New Russo-Japanese Ties Speed Showdown in Pacific?



Just when Washington is preparing to make an issue with Japan over the treatment of American business in China, Tokyo and Moscow have buried the hatchet and threaten to unite for action. Japan's hold on Manchukuo is complete, and the entire China coast is under Nipponese control. Russia dominates Outer Mongolia and Sinkiang. Threatened with a loss of "face" by Washington's firm

demands that American business interests in China be respected, Japan may make a deal with Russia which would give Tokyo greater freedom of action in the Pacific and Moscow a free hand for more immediate problems in Europe. All eyes are on Washington whose handling of this problem is the No. 1 interest of business in the Far East in 1940.

To Three Good Neighbors—Three New Envoys



These three new U. S. envoys get the job of strengthening our good-neighbor policy. James H. R. Cromwell (left) was named minister to Canada; R. Henry Norweb, ambassador to Peru; and George Messersmith, ambassador to Cuba. Mr. Cromwell, who is an economist by avocation, as well as husband of "the richest girl in the world," Doris Duke, succeeds former Secretary of Com-

merce Daniel C. Roper in the post at Ottawa. Norweb, a career man, was formerly in Mexico and Haiti, now takes over the Peru post which has been vacant since Laurence Steinhardt left it to become ambassador to the Soviet Union. Messersmith, who was Assistant Secretary of State, goes to one of the United States' key Latin-American posts—Havana.

conservatives for a united campaign against Bolshevism, there is no important evidence yet that this can be done. A spring offensive in the West is believed by most critics to be more likely.

If Tokyo now is ready to make a similar deal with Moscow, it means that Japan is strengthening her position for the showdown with Washington. The material aid, either economic or military, that Russia can offer Tokyo may be unimportant, but the advantage to Japan of having Russia on her side secures Nippon's rear flank from Kamchatka to the border of French Indo-China. This is vital in case she tries a naval adventure in southeastern Asia or the Pacific.

Threat from a "Have-Not"

Washington's problem in the Orient bears some resemblance to Britain's problem in Europe. Each faces the threats of a great "have not" nation. Each knows that something ultimately must be done to help that nation, but each feels that to yield now is to play into the hands of radical governments.

London's problem came to a head last August and Britain declared war. Washington's critical months are just ahead. The problem is to give the Tokyo conservatives enough cooperation to ease an internal crisis without helping a radical militaristic group to strengthen its hold.

If Japan's "new order in East Asia" is unacceptable to Washington, some counter-proposal should be made. Otherwise, rapidly moving events in the Pacific will precipitate the same kind of a showdown that has already come in Europe.

Reaching via Ether for Latin Trade

Short-wave advertising now a factor in sale of U. S. products, but effect it will have on long-wave schedules remains to be determined.

LAST SPRING the Federal Communications Commission ended a three-year wrangle by giving American short wave radio stations permission to put commercial programs on their wave lengths. Last month National Broadcasting Co. was first to take advantage of the ruling when it signed up the United Fruit Co. for a daily 15-minute news broadcast in Spanish.

The FCC move puts a new twist in the business of selling American products and services to the southern half of the Western Hemisphere via the ether. United States business men have long advertised over Latin American long-wave stations, using both transcribed and "live" programs. In 1940, with American industry focusing its attention on the markets south of the Gulf of Mexico, placement of both time and programs is expected to be double what it was last year—and 1939 was 80% ahead of '38.

Over 150 United States companies do heavy radio advertising in Latin America—at least four spend more than \$150,000 annually. The big question now is to what extent short wave will replace the present method of scheduling programs over individual long-wave stations, either directly or through the half-

dozen brokerage houses which operate in this country and negotiate about 50% of the business.

Although the broadcasting companies have long been agitating short-wave commercial programs (*BW*—April 27, p. 28), the FCC move apparently caught them unawares, judging by their tardiness in signing up sponsors. L. P. Vandell, in charge of commercial short-wave for the Radio Corporation of America, has been in the Middle West, lining up sponsors for NBC programs. None of these have signed yet, but at least three companies—probably in the automobile and farm equipment fields—are definite prospects.

Also in the market for sponsors are the Crosley station, WLWO, at Cincinnati, now putting up a new and more powerful transmitter, and—according to trade rumor—General Electric's WGEI and WGEA at Schenectady. Columbia Broadcasting System's plans are unannounced, but it aims 13 hours a day at South America via WCBX in New York and WCAB in Philadelphia, with a total of 79 programs a week, and there is nothing to keep most of this time from being used for commercial programs. WRUL and WRUW of World

Chance

The F
be avail
they are
the fact

do an eq
ing in al
beam is
guage an
objections
maintain
companies
stitutional
Fruit's.

Up to
commercial
American
vertisers w
Now over

Wide Broadcasting Foundation send 8 to 9 hours a day from Boston to Latin America, but the programs are of an educational and goodwill nature.

A great deal can be said both for and against short-wave advertising—and plenty of people are saying it. The broadcasting companies point out that, of better than 3,400,000 radio sets in Latin America (the number is increasing rapidly), 1,500,000—or even as high as 50%—are adapted for short-wave. United States stations, spurred on by the government's fear of European propaganda, are doing a better job than ever before, sending a total of around 40 short-wave hours a day south, in contrast to the present sum of about 20 hours from the major European broadcasters (England, France, Germany, Holland, and Italy). United States programs are preferred because of better reception, better quality, lack of bias, and the fact that an increasing number of them are in Portuguese and Spanish.

Arguments against Short-Wave

On the other hand, such brokerage firms as Conquest Alliance Co. and Broadcasting Abroad, which act as go-betweens for Latin American stations and United States advertisers, raise these objections to short-wave advertising:

(1) The recent expansion and technical improvement of Latin American stations makes for strong long-wave competition—some, like Sao Paulo's new Radio Cultura, are as technically perfect as the big United States studios.

(2) Short-wave advertising from the U. S. will be up against the low rates on many Latin American stations, with some "coffee pots" charging as little as \$35 a month for a daily 15-minute program—United Fruit is paying \$25,000 a year.

(3) Many Latin American stations are owned by newspapers which discriminate against short-wave programs by refusing to print them. Of course, the brokers also contend that short-wave reception just can't be compared with that from local long-wave stations.

Chance for Institutional Job

The FCC ruling that products must be available in the countries in which they are advertised via short-wave and the fact that it is almost impossible to do an equally good job of product selling in all the countries to which the beam is directed, because of local language and custom differences, are other objections. The broadcasting companies maintain that this would not keep other companies from doing a good job of institutional advertising, similar to United Fruit's.

Up to three years ago most of the commercial programs sold to Latin American stations by United States advertisers were transcribed in this country. Now over half the business is in "live"

programs, made up by local stations, using their own talent, according to specifications.

Whatever method United States business may find most effective, it is pretty certain that it is keenly conscious of the fat Latin American market, to which it exported \$699,366,000 worth of goods in the first 11 months of 1939, and it has found radio one of the best ways of reaching that market.

Goering Takes Reins

Coordinator of economics in Reich must immediately face an acute transportation problem.

BERLIN (Cable)—Hermann Goering has taken over the reins of Germany's economic machine. The man he replaces, Walther Funk, has gone back to his original jobs as the Minister of Eco-

nomics and President of the Reichsbank. Goering's officially stated aims are better to coordinate wartime economic measures and somehow to achieve greater striking power against the British blockade.

The press emphasizes the significance of this reform and welcomes the creation of an economic general staff. A great concentration of power and energy is considered indispensable because the economic war against the Allies is deepening.

Funk's Salzburg address, presented while he still was the economic generalissimo, illustrated the current official German conception of the war as a worldwide struggle between economic systems with the object of "making the old rich poor and the young poor rich."

Goering is also expected to supply the extra energy and imagination considered necessary to meet a supposed British plan to shift war costs to neutrals. The English, Funk claimed at the same Salzburg speech, are purchasing large stocks of

Speed Nut System

A million a Day

TOOK THE STOVES AWAY AFTER 7 DECADES IN BUSINESS

For over 70 years the Tinnerman Stove & Range Company has been known in the manufacturing field. While our name has not been identified with mass production in the years that have passed, it has always been identified with quality production.

We originally developed SPEED NUTS to increase the efficiency and prolong the life of our stove assemblies. Our SPEED NUT Division, which was in its swaddling clothes less than ten years ago, has expanded and grown so rapidly that we have concentrated our entire production on the manufacture of SPEED NUTS and Speed Clips—now used on the assembly lines of all leading products at the rate of over a million a day.

In order to provide ample space, facilities and man power to keep pace with the increased demand for SPEED NUTS, it was necessary that we discontinue the manufacture of stoves and ranges, as well as construct new additions to our plants.

So we announce, as of January 1, 1940, the formation of

TINNERMAN PRODUCTS, Inc.

New readers of our advertising may be interested in knowing that the SPEED NUT System of Assembly is the most modern method on the horizon. SPEED NUTS not only reduce average net assembly costs 50%, but also improve assemblies. One SPEED NUT replaces two parts, namely the threaded nut and lock washer. It is applied faster and gives a firm spring tension grip that prevents loosening from vibration for the life of the product.

Over 900,000,000 SPEED NUTS have already been manufactured in over 500 different shapes and sizes. SPEED NUTS may be used on any type of bolt, screw, rivet or stud. Special Speed Clips are also made to serve as the sole connecting means in many assemblies.

Regardless of the nature of your assembly, this organization of

FASTENING ENGINEERS

stands ready to serve you. Samples and details are awaiting your request.

TINNERMAN PRODUCTS, INC.

2047 FULTON ROAD, CLEVELAND, OHIO

MANUFACTURERS OF PATENTED SPEED NUTS

In Canada: Wallace Barnes Co. Ltd., Hamilton, Ontario
In England: Simmonds Aerocessories, Ltd., London

900 MILLION SPEED NUTS ALREADY USED

raw materials at low cost and plan to sell them dearly after the war. Obviously, such a plan would presuppose an Allied victory and is hard to reconcile with other Nazi assertions that the British government is one jump ahead of the sheriff.

One of the first problems the new economic set-up will have to face is the coordination of transportation within the Reich. Military and civilian shipments are competing for space on the overloaded railroads and supplementary transportation systems are crippled. For one thing, the river and canal network is now frozen over and truck transport has been paralyzed by the gasoline restrictions. Many bulky exports deemed indispensable to Germany's trade relations have been shifted from sea shipment to rail transport. Coal, for instance, goes by rail to Italy and Yugoslavian bauxite rides freight cars to German refineries.

WAR BUSINESS

REGULATIONS • WAR ORDERS • TRADE CONDITIONS

Finish Ship Reshuffling Job

Since closing of war-zone ports, 83 American ships have been shifted to new runs. Neutral vessels have been chartered to handle old North Atlantic trade.

TWO MONTHS AGO when the Neutrality Act became effective, 83 American ships which operated in regular services between the United States and the European "blackout" zone were thrown out

of business. With the transfer last week of eight ships of the United States Lines to Norwegian registry, the last of these 83 ships is returned to active service in one part of the world or another (table.

What the Neutrality Act Did to United States Shipping

ON NOVEMBER 4, 1939, the President banned American ships from the richest and most dangerous trade routes in the world—from the New World to the great seaports of England and the continent. The versatility and opportunism of United States shipping is presented in the

table below. Of the 83 ships affected, some have been re-routed to other parts of the world, others have been sold or chartered, and most are running on a touch and go basis plying new trade routes or quickly snapping up one-run leases.

Line	Original		Previous Operations	War Time Shifts	
	No. Ships	Tonnage		New Runs	Disposals
U. S. Lines	11	128,611	(4) New York-Hamburg (4) New York-London (2) New York-Liverpool (1) Reserve Ship	(2) New York-Genoa (1) New York-Bermuda	(8) Sold to Norwegian operators for New York, Boston-London, Liverpool runs
Government-owned ships chartered to subsidiaries of U. S. Lines:	16	86,000	New York to United Kingdom and Continent	(10) Operated by U. S. Lines from North Atlantic ports to Spanish Atlantic ports, of which 8 are permitted to go to Poti (Russian) in the Black Sea, returning with iron ore to North Atlantic ports. (4) Never delivered to U. S. Lines, will be in the American Pioneer Line Australian service	(2) Never delivered to U. S. Lines: 1 went to the Navy, 1 is laid up
American Hampton Roads Lines					
Oriole Lines					
American-France Line					
Black Diamond Lines	8	40,000	(8) New York-Antwerp, Rotterdam		(3) Chartered to Barron Lines for South and East Africa Trade (1) Chartered to States Marine for South African service (4) Chartered to other trades. Foreign neutral ships have been chartered to protect the Antwerp-Rotterdam berths
South Atlantic S. S. Co.	6	30,000	South Atlantic ports-United Kingdom and Continent		(3) Chartered to Isthmian Line (2) Chartered to agents for South American runs (1) Chartered to Polaris S. S. Co. with no restriction other than that of not competing with regular U. S. flag service
Waterman S. S. Corp.	13	71,500	East Gulf ports-United Kingdom and Continent	(5) Coastwise and to Canada (5) Far East	(2) Chartered to Mississippi Shipping Co. for Gulf to east coast of South America runs (1) Chartered to Mitsui Co. for a voyage to Japan
Lykes Bros. S. S. Co.	25	150,000	West Gulf ports-United Kingdom and Continent	(11) Mediterranean and Far East trade	(12) Chartered to Chilean Nitrate Sales Corp. for nitrate trade between Chile and in the Mediterranean, Far East, or any other destination not affected by Neutrality Proclamation (2) Chartered to Seas Shipping Co. for runs to South and East Africa
Isthmian Line	4	24,000	West coast of U. S. to United Kingdom	(4) Absorbed in other Isthmian services; 19 additional American and neutral vessels have been chartered for Isthmian's expanded runs	

p. 48). The American shipping industry was confronted with two problems when the Neutrality Act abruptly put an end to their business. The first was to find new runs for their ships; the other was to try to charter neutral vessels so that they could continue to serve their old and valued customers on both sides of the Atlantic.

All kinds of devices have been thought up to solve the problem. The United States Lines have shifted their two luxury liners—the Manhattan and Washington—to the New York-Italian service. The first sailing was on Dec. 30, and a regular 2-week schedule is planned. This route is outside the "blackout" area. The President Roosevelt, after a quick overhauling, was put in the New York-Bermuda service. Two small freighters operated by the United States Lines have started a regular service between the United States and the Spanish ports of Vigo and Bilbao.

British Action Protested

Moore-McCormack Lines can no longer continue their sailings to Baltic ports but they are scheduling regular service to Bergen, Norway, which can be reached by skirting the forbidden zone in Europe. This week, however, British patrol boats forced the Mormacsun, on its way to Bergen, to enter the control port of Kirkwall at the northern tip of Britain, and brought a protest from the United States State Department. There is no indication, however, that the service will be discontinued.

Transfer last week of the last eight vessels of the United States Lines, including the President Harding, to Norwegian registry winds up the reshuffling job. As the fleet of the newly formed North Atlantic Transport Co., which is 60% controlled in Norway and 40% by the United States Lines, these ships will resume regular service between New York and Boston and the British ports of Liverpool and London. Flying the Norwegian flag and worked by a Norwegian crew, they are no longer subject to the restrictions of our Neutrality Act. Actually they will continue to serve old customers of the United States Lines in Europe and America, utilizing the line's offices and personnel on both sides of the Atlantic as agents to solicit business for the vessels.

Merchant Fleet Program Tied In

Activity in the shipping markets has not been confined to the vessels affected by the Neutrality Act. Within the last week the British have bought six American freighters, four of them from the American-Hawaiian Line and two from Lykes Bros. All of them were nearly 20 years old. One condition imposed by the Maritime Commission in Washington before allowing the sale of any American ship to a foreign country is that the operator replace the vessel with one of the Commission's new boats being built as a

part of the United States' merchant fleet replacement program. More than 140 of these vessels have been completed or are under construction as a part of the building program which started two years ago. Allied agents are still scouring our markets for old tonnage and more sales are expected soon.

There is some talk also that Washington is considering the sale of some of the 177 vessels which have been tied up since the post-war shipbuilding boom and which theoretically have been maintained for use in a war emergency. There are other indications of activity in the ship and shipbuilding field. Bids are expected to be asked this spring for two new superliners for the Pacific service of the American President Lines (successor to the Dollar Steamship Lines).

These two liners are expected to be of about 30,000 tons, with a speed of 25 knots, and a passenger carrying capacity of nearly 1,000.

In Canada, lake grain vessels have been brought down to salt water moorings for possible war emergency service and there were reports this week that the British and the Canadians have about come to an agreement on a \$17,000,000 shipbuilding program for Canada covering 70 boats of various sizes. This will provide capacity employment for shipyards along both the Atlantic and Pacific coasts as well as the Great Lakes.



Cleanses hands safely Formula

SBS-II removes grease and grime quickly. Its high bacteria removal power helps prevent infection, skin irritation and dermatitis. Leaves hands smooth, soft, and chap-free.

Write today for generous FREE TRIAL

SUPPLY. Sugar Beet Products Co., 300

Waller St.,

Saginaw,

Michigan. THE INDUSTRIAL SKIN CLEANSER

FORMULA SBS-II

Advertisement



A Business Machine

Arnold Genthe

INTERNATIONAL BUSINESS MACHINES CORPORATION
World Headquarters Building, 590 Madison Avenue, New York, N. Y.

Business Week Advertisers in This Issue

January 13, 1940

AMERICAN MUTUAL LIABILITY INSURANCE CO.	3
Agency—JAMES THOMAS CHIRURG CO.	
AMERICAN SURETY CO.	10
Agency—ALBERT FRANK GUENTHER LAW, INC.	
ANCHOR POST FENCE CO.	8
Agency—VAN NANT, DUGDALE & CO., INC.	
ATLANTIC COAST LINE R. R. CO.	41
Agency—ALFRED LILLY CO., INC.	
BANK OF NEW YORK	6
Agency—DOREBUS & CO.	
BONBRIGHT & CO., INC.	43
Agency—DOREBUS & CO.	
BRODERICK & BASCOM ROPE CO.	4
Agency—CHAPPELOW ADVERTISING CO.	
BROWN & BIGELOW	39
Agency—BRONSON WEST	
BURGESS BATTERY CO.	51
Agency—THE FENSHOLT CO.	
DOMORE CHAIR CO., INC.	38
Agency—McDONALD-COKE CO.	
EDIPHONE, THE THOMAS A. EDISON, INC.	29
Agency—FEDERAL ADVERTISING AGENCY, INC.	
FARIES MANUFACTURING CO.	38
Agency—MACE ADVERTISING AGENCY	
FORD MOTOR CO.	22
Agency—N. W. AYER & SON, INC.	
GENERAL ELECTRIC CO.	12
Agency—LEIGHTON & NELSON	
THE GLOBE-WERNICKE CO.	39
GOODYEAR TIRE & RUBBER CO., INC.	21
Agency—ARTHUR KUHN, INC.	
HOTEL MAYFAIR	38
Agency—GARDNER ADVERTISING CO.	
HYATT BEARINGS DIVISION GENERAL MOTORS CORP.	37
Agency—CAMPBELL-EWALD CO. OF NEW YORK, INC.	
INTERNATIONAL BUSINESS MACHINES CORP.	49
Agency—CERIL & FREDERICK, INC.	
IRON FIREARM MANUFACTURING CO.	26
Agency—JOSEPH B. GERBER CO.	
CHARLES B. KNOX GELATIN CO., INC.	51
Agency—KENTON & ECKHART, INC.	
LA SALLE EXTENSION UNIVERSITY	1
Agency—E. H. BROWN ADVERTISING AGENCY	
LONE STAR CEMENT CORP.	5
Agency—COWAN & DENOLER, INC.	
LORD & THOMAS	4th Cover
Agency—LORD & THOMAS	
MARYLAND CASUALTY CO.	19
Agency—J. M. MATTHEY, INC.	
McGRAW-HILL BOOK CO., INC.	32
METROPOLITAN OAKLAND AREA COMMITTEE	9
Agency—EMIL REINHART ADVERTISING AGENCY	
NEW JERSEY COUNCIL	33
Agency—CHARLES DALLAS BEACH CO.	
REMINGTON-RAND, INC.	3rd Cover
Agency—LEEFORD ADVERTISING AGENCY	
REPUBLIC RUBBER DIVISION LEE RUBBER & TIRE CORP.	2
Agency—WEARSTLER ADVERTISING, INC.	
JOSEPH T. RYERSON & SON, INC.	34
SHERWIN-WILLIAMS CO.	27
Agency—T. J. MALONEY, INC.	
SOCONY-VACUUM OIL CO., INC.	31
Agency—J. STIRLING GUTHRIE, INC.	
STANDARD ACCIDENT INSURANCE CO.	25
Agency—N. W. AYER & SON, INC.	
SUGAR BEET PRODUCTS CO.	49
Agency—SEEMANN & PETERS, INC.	
TINNERMAN PRODUCTS, INC.	47
Agency—THE CARPENTER ADV. CO.	
WARNER & SWASEY CO.	2nd Cover
Agency—THE GRUNWOLD-ERLEMAN CO.	

The War Week in Business

At Home

Trade Conditions—One of the significant things to foreign traders in the President's budget speech was the estimate of declining customs receipts for 1940 and '41. Customs revenues for the last half of 1939 were about \$18,000,000 ahead of the similar period for '38, but a slump in imports is expected for January through June, 1940, and government experts anticipate a \$54,000,000 decrease in receipts, as compared with January to June, 1939. Taking a guess at 1940-41 receipts, the experts lopped another \$10,000,000 off their pessimistic total for 1939-40.

Regulations—The SEC will permit companies to exclude foreign subsidiaries from consolidated balance sheets, since in a number of instances curtailed foreign activities would distort the trend of business at home—when included in the financial statement.

The export of tin-plate scrap to Japan has been about cut in half by the State Department. Licenses for 7,263 tons are permitted for 1940.

The State Department, backing up the International Telephone and Telegraph Corp., has delivered a note to the Spanish government over the status of the Spanish Telephone Co. Contents of the note were not revealed, but it is believed that it contained a request for a restoration of the subsidiary to American management. During the civil war, the system was in the hands of the warring governments and has not, as yet, been returned to peace-time operation by the victorious party.

War Orders—Insiders report that Finland has given up hope of filling its immediate airplane needs in the United States and has arranged to buy second-string fighters from the British. However, the 40 planes which the Finns bought a few weeks ago will be delivered, and an attempt will be made to get possession of certain war materials the Polish government ordered before the war broke out.

Shipping—The American steamship Manhattan was held at Gibraltar for 40 hours by British control authorities. Since Dec. 14, a survey shows that 13 American ships have been detained by the Allies. The cargo of one ship was seized and one ship was taken through a combat area for examination.

War Toll of Merchant Ships

	Total Through This Week (129 Days)	Total Through Week Before Last (115 Days)
No. Tonnage	No. Tonnage	No. Tonnage
British	132 489,206	126 459,876
French	13 58,742	10 48,038
Neutral	95 277,478	89 273,163
Total	240 825,426	225 781,077
German	23 129,669	22 127,457
Grand Total	263 955,095	247 908,534

—And Abroad

Great Britain—A rift appeared in England's united war front this week

when War Minister Leslie Hore-Belisha was replaced by Oliver Stanley, best known in England as the Earl of Derby's son. The Dominions, particularly Canada, were stirred to general protest against the change, but no official explanation was forthcoming. Insiders feel that the army's upper crust, irked by Hore-Belisha's radical notions and actions, had finally "gotten to him." Others feel that this may well be the first step toward the consolidation of military authority under one man—Winston Churchill.

A Treasury order has tightened up the control over sterling transfers to non-residents of Great Britain, requiring direct permission for transfers from now on; the spread between buying and selling rates for dollar exchange has been narrowed $\frac{1}{16}$ ¢. A \$25,000,000 steel plant, being constructed in New Zealand under the direction of the home government, will not be ready for production in 1941 as planned, for Britain's dire need for war supplies has temporarily paralyzed the program by creating a shortage of necessary construction materials. The import of manufactured tobacco has been prohibited until further notice.

Russia—Analysis of the new Soviet-Bulgarian trade pact shows that, for political considerations, Moscow has taken the short end of an economic deal. In return for Russian oil, agricultural machinery, chemicals, and cotton, the Bulgarians will ship wool, hides, tobacco, and attar of roses.

Work projects in the Western Ukraine, source of 40% of Russia's steel, 40% of its manganese, and 20% of its wheat, are being pushed in spite of the obstacles raised by cold winter weather. At the same time, related programs designed to tie-in the conquered Polish section with the Soviet Union are proceeding. A great waterways project is being rushed to link the Dnieper River with the Pripet and the Bug, which flows in what was formerly Poland and connects with the Baltic. Since the Dnieper empties into the Black Sea, a new all-water, all-Russian route will soon connect the Baltic and Black Seas.

France—A year-end statement by the Bank of France shows that 150,000,000 francs are in circulation, an all-time high. Probable causes: heavy government spending and private hoarding.

Japan—Tokyo is understood to be planning an institute for research on synthetic substitutes for silk. The potentialities of nylon and vinyon are probably a spur to the Japanese search for artificial fibers which would protect Japan's position in the luxury goods trade. At present, more than three-quarters of Japan's silk, her money crop, is exported to the United States. More than 80% of the silk received in America is turned into women's stockings.

THE TRADING POST

To Worcester—Thanks

READER Arnett W. Leslie, president of The John Leslie Paper Co., of Minneapolis writes as follows:

"The article in one of your recent issues about the Worcester banquet in honor of old-time employees prompted a similar undertaking on the part of our company. We recognized 21 employees for 15 years service, 10 for 20 years, 2 for 25 years, 1 for 30 years, 3 for 35 years and 1 for 40 years. Respect was paid to the memory of the founder, John Leslie, who died in Jan. 1939, after having presided over the company's activities for 45 years.

"You may be interested to know that we are distributors throughout the seven Northwestern states of the following papers and related lines advertised in your columns: Hammernill Paper Co., S. D. Warren Co., Sheaffer Pen Co., Sutherland Paper Co. A recent check of your advertisers indicates that we are users of the products or services of 19 of those listed.

"Our many thanks to you for the suggestion that has resulted in our adopting the service award plan, and may the New Year be a happy and prosperous one."

Thank you, Mr. Leslie, and the same to you! And Mr. Leslie's thanks are hereby passed on to Worcester, to whom they are due.

Louisville Greets 1940

AND WHILE we're talking of record service I spent New Year's Day in Louisville. For more than 70 years, they tell me, the Louisville Board of Trade has held a reception on New Year's morning.

Yes, that's what I said—New Year's morning!

This year more than 600 were ready at 10 o'clock to greet their guests. President E. J. O'Brien of the Board reported on Louisville's 1939 progress and Gov. Keen Johnson and Senator "Happy" Chandler reported to the Louisville business men what they might expect of their state and national governments during 1940.

In line with the current trend was the Governor's announced determination to lay no heavier tax burdens on Kentucky business. He appealed to his hosts for a sympathetic understanding of what he is up against in balancing the state budget. It is becoming clear that the day of blithe public spending is about over and that responsible officials are beginning to suspect that voters are getting more and more cranky on the subject. This attitude is not confined to Kentucky. There can be no doubt that spenders are on the defensive. Public officials

generally are becoming self-conscious about their budgets. And spending no longer rates so high as a vote-getter.

But what I started to write about is that Belknap concern — the Belknap Hardware & Manufacturing Co., to give it its full name.

This year it's 100 years old. Its officers were special guests of honor at the New Year's Reception. William B. Harrison, of the Louisville Industrial Foundation, presented them and told something of the record of their house.

Opening up in 1840 with a stock of iron bars, castings, nails, horseshoes and the like, William B. Belknap, the founder, laid down a business that now handles more than 75,000 items and deals with 30,000 accounts. Of its 1500 employees, 518 have been with Belknap at least 10 years. Frank Strohm began as a porter in 1880; after 60 years he's still on the payroll.

For 47 years, without exception, the company has made a profit. "And during a century of prosperous growth," says Charles R. Bottorff, president since 1930, "this corporation has had only four presidents."

Doubtless other business houses can show comparable records of long service and sound growth. But after all, Louisville did not get a start until long after the eastern settlements, and 100 years is a long life for a business out that way. What is more to the point, I wonder whether there is any particular virtue that enables a business to survive the vicissitudes of a century such as the last one and pay a profit through a half century such as that since 1890. If so, it would be worth finding out.

Anyhow, Louisville got off to a flying start at its New Year's Reception and the Belknap Co. swung into its second century. Now watch 'em run!

Cease Firing

AFTER REPORTING in its Armistice Day issue on the effect of the European war on the milling industry, BUSINESS WEEK is ready to ask for an armistice of its own. Its Twin Cities correspondent, who began a brisk statistical paragraph with the words, "Mills which report to Northwestern Miller, Minneapolis, 'bible' of the trade", forgot L. A. Koch, publisher of American Miller, Chicago, and his field-gun typewriter. Before its barrage we cheerfully abandon all positions taken on the question of whether our term "trade" meant the flour buyers whom Northwestern Miller chiefly serves or the millers in whom American Miller is interested. So let the firing cease on the line, "There is no trade 'bible'—except BUSINESS WEEK." W.T.C.



Do you get complaints about Diesel NOISE?

● Unless properly silenced, Diesel engines can be a chronic source of trouble. With the new Burgess Snubber, you can operate your Diesel engines without complaints, even in residential districts. The Snubber is not a muffler—it snubs the slugs that are the cause of exhaust noise and wasted fuel.

Install the Burgess Snubber in any exhaust system. Write Burgess Battery Co., Acoustic Div., Dept. B, 500 W. Huron St., Chicago.

PREVENT Diesel Exhaust Noises with



**BURGESS
SNUBBERS**
PATENTS APPLIED FOR

ALWAYS TIRED?

Why feel double your age because you're tired most of the time? Get out of that rut. The way to do it is by building up your endurance. It's simple... with this easy new method that works for women and men.

Just take 4 envelopes Knox Gelatine daily for 2 weeks... then 2 a day for 2 weeks. After that, take as required.

Take it regularly. Keep a supply in your bathroom. Take in the morning when you get up, again at night... and don't forget.

Cost? Less than a pack of cigarettes a day.

Plain, unflavored Knox Gelatine (U.S.P.) is the only gelatine proved to increase endurance. Bacteriologically controlled to standards higher than certified milk. Sealed in sanitary envelopes, protected until you use them. Buy the familiar 4-envelope package, or the new 32-envelope money-saving package. Ask your grocer or write Knox Gelatine. Also send for Bulletin E. Knox Gelatine, Johnstown, N. Y. Dept. E.

HOW TO TAKE: Empty 1 envelope (¼ pkg.) Knox Gelatine in ¼ glass of water or fruit juice, not iced. Let liquid absorb gelatine. Stir briskly... drink before it thickens.

BUSINESS WEEK

With Which Is Combined The Magazine of Business

January 13, 1940

A Strategic Budget

FOR POLITICAL SAGACITY, President Roosevelt's latest (last?) budget message is a *tour de force* in three distinct ways.

First, he blandly parries critics of his seven years of spending by saying that they generalize.

Second, he proclaims his policy of deficits as one of economic wisdom.

Third, he lets Congress do all the dirty work. As last year (*BW—Jan 14 '39, p 17*), he proposes new taxes and puts it up to Congress to find them. But this time, unlike 1939, the legislators are on the spot.

For it was at the last session that Congressmen balked at raising the statutory debt limit above \$45,000,000,000. And now—in an election year!—Congress must either find \$460,000,000 in new taxes for the President or watch the debt soar above that legal limit. And Mr. Roosevelt can simply turn to the people and say, "See".

The President has managed to keep the debt in bounds by a series of bookkeeping operations, rather than by rigid economies. And though his method would not win the approval of the certified public accountants, it would certainly gain the degree of Doctor of Politics in any university. Seemingly, Mr. Roosevelt started on his budget with that \$45,000,000,000 debt limit and worked backwards. For, as of June 30, 1941, the total federal debt—if everything Mr. Roosevelt asks for comes to pass—would amount to \$44,938,577,622.11—or just \$61,422,377.89 under the top. And that 61 million dollar margin, when dealing with a budget which runs into billions, is practically the same as hitting the debt limit on the nose. But it's not the same politically—for it gets the President under the wire!

HERE IS HOW THE PRESIDENT managed this strategic performance. In the 1940 fiscal year—that is the current period which will end June 30—the Treasury is to allow its cash balances to drop by \$1,150,000,000. That saves going into additional debt by that much, but it does not in any way decrease the current year's deficit. It merely means the use of one government asset to prevent the rise in the government's debt liabilities.

For the 1941 fiscal year, the President is more ingenious. First, he proposes that Congress raise \$460,000,000 more in taxes, with national defense as the excuse; and after that, another \$700,000,000 is to be realized from the transfer of excess funds from government corporations to the Treasury. This last is a strictly bookkeeping transaction—once again a

reshuffling of assets without in any way reducing the real deficit.

In plain language, what it all means is this. In the 1939 fiscal year, the actual deficit was \$3,542,000,000; in the current fiscal year, the probable deficit will be \$3,933,000,000; and in the 1941 fiscal year, taking into account (a) \$460,000,000 in new taxes and (b) the \$700,000,000 bookkeeping credit, the deficit will be \$1,716,000,000. But without the taxes, the deficit would be \$2,176,000,000. Without the bookkeeping, it would be \$2,416,000,000. And without both new taxes and the bookkeeping, this deficit—the *realistic* deficit—would come to \$2,876,000,000, which hardly ranks as a major movement toward a balanced budget.

IN A SENSE the President makes a brief apology for the size of the deficit, saying that it is his plan to taper off expenditures gradually, rather than abruptly. (His advisers remember clearly the effect on business in 1937 when—among other things—government deficit spending contracted suddenly and sharply.) But in his message Mr. Roosevelt still shows no signs of having achieved a basic budgetary plan. He wants to tie the budget with business—to spend when business is bad, and to achieve a balance between income and outgo when business is good. Yet he has hardly established a *modus operandi* toward this end. Apparently, expenditures are to be fortuitously determined by business needs at a particular time; but no determined effort is to be made to bring receipts permanently close to expenditures at Great Britain did after the World War. The result is a catch-as-catch-can budget—with balance still definitely out of sight.

It is true that the wide cyclical fluctuations of recent years have made the President's lot anything but an easy one. Any President would have had a hard time balancing a budget—with relief needs urgent. But it might be expected that a President, after seven years, might have worked out some plan by which eventually it might be done.

Published weekly by McGraw-Hill Publishing Company, Inc., 330 West 42nd St., New York City. Tel. MEdallion 3-0700. Night Tel. MEdallion 3-0731. Price 25¢. Subscription: \$5.00 a year, U.S.A., possessions, and Canada. Other foreign, \$7.50. Cable code McGrawhill.

Willard Chevalier
Publisher

Ralph Smith
Editor

Paul Montgomery
Manager

Managing Editor, Louis Engel • Economist, J. A. Livingston • Foreign, John F. Chapman
Finance, Clark R. Pace • Labor and Management, Frank Rising • Marketing, J. F. Burns
Production, W. W. Dodge • News Editor, Edward Hutchings, Jr. • Statistician, R. M. Merrill
Law, J. A. Gerardi • Chicago, L. W. W. Morrow • Detroit, Athel F. Denham • San Francisco,
Cameron Robertson • Washington, McGraw-Hill Bureau; Irvin Foss, Special Correspondent
Business Week Foreign Bureaus in Ottawa, London, Paris, Berlin, Moscow, Tokyo, Buenos Aires

NESS
ATOR

N.

1940

WEEK
AGO

YEAR
AGO

ing the
In the
00,000;
will be
taking
and (b)
icit will
e deficit
keeping.
oth new
realistic
hardly
budget.

ogy for
o taper
ruptly.
business
ernment
arply.)
o signs
e wants
n busi-
income
hardly
Appar-
rmined
o deter-
ts per-
ain did
-catch-
sight.
ons of
ything
had a
needs
sident,
e plan

ne., 330
ght Tel.
U. S. A.
rawhill.

gomery
anager

Chapman
F. Hooten
M. Macdonald
Francisco, California
may 1940

NESS
ATOR